FINAL 5-YEAR PLAN FOR OIL AND GAS DEVELOPMENT IN THE OUTER CONTINENTAL SHELF

HEARING

BEFORE THE

SUBCOMMITTEE ON
ENERGY CONSERVATION AND SUPPLY

OF THE

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

TO

REVIEW THE SECRETARY OF THE INTERIOR'S PROPOSED 5-YEAR PLAN FOR OIL AND GAS DEVELOPMENT IN THE OUTER CONTINENTAL SHELF PURSUANT TO THE OUTER CONTINENTAL SHELF LANDS ACT AMENDMENTS OF 1978, PUBLIC LAW 95-372 (43 U.S.C. 1801)

SEPTEMBER 8, 1982

Publication No. 97-107

Printed for the use of the
Committee on Energy and Natural Resources

U.S. GOVERNMENT PRINTING OFFICE
11-566 O WASHINGTON : 1982

S311-9

COMMITTEE ON ENERGY AND NATURAL RESOURCES

JAMES A. McCLURE, Idaho, *Chairman*

MARK O. HATFIELD, Oregon
LOWELL P. WEICKER, Jr., Connecticut
PETE V. DOMENICI, New Mexico
MALCOLM WALLOP, Wyoming
JOHN W. WARNER, Virginia
GORDON J. HUMPHREY, New Hampshire
FRANK H. MURKOWSKI, Alaska
DON NICKLES, Oklahoma
JOHN P. EAST, North Carolina
JOHN HEINZ, Pennsylvania

HENRY M. JACKSON, Washington
J. BENNETT JOHNSTON, Louisiana
DALE BUMPERS, Arkansas
WENDELL H. FORD, Kentucky
HOWARD M. METZENBAUM, Ohio
SPARK M. MATSUNAGA, Hawaii
JOHN MELCHER, Montana
PAUL E. TSONGAS, Massachusetts
BILL BRADLEY, New Jersey

Michael D. Hathaway, *Staff Director*
Charles A. Trabandt, *Chief Counsel*
D. Michael Harvey, *Chief Counsel for the Minority*

Subcommittee on Energy Conservation and Supply

LOWELL P. WEICKER, Jr., Connecticut, *Chairman*

MARK O. HATFIELD, Oregon
GORDON J. HUMPHREY, New Hampshire
JOHN P. EAST, North Carolina
JOHN HEINZ, Pennsylvania

HOWARD M. METZENBAUM, Ohio
SPARK M. MATSUNAGA, Hawaii
PAUL E. TSONGAS, Massachusetts
BILL BRADLEY, New Jersey

James A. McClure and Henry M. Jackson are Ex Officio Members of the Subcommittee

Gary Barbour, *Professional Staff Member*

CONTENTS

STATEMENTS

Page
Bradley, Hon. Bill, a U.S. Senator from the State of New Jersey 123
Graham, Hon. Bob, Governor, State of Florida 24
Hollings, Hon. Ernest F., a U.S. Senator from the State of South Carolina 3
Metzenbaum, Hon. Howard M., a U.S. Senator from the State of Ohio 7
Nickles, Hon. Don, a U.S. Senator from the State of Oklahoma 123
Watt, Hon. James G., Secretary of the Interior, accompanied by Robert Rioux, Department of the Interior, Minerals Management Service; Don Truesdell, Department of the Interior, Minerals Management Service; and Joe Gribbin, Department of the Interior, Minerals Management Service 9
Weicker, Hon. Lowell P., Jr., a U.S. Senator from the State of Connecticut 1

APPENDIX

Additional material submitted for the record 167

FINAL 5-YEAR PLAN FOR OIL AND GAS DEVELOPMENT IN THE OUTER CONTINENTAL SHELF

WEDNESDAY, SEPTEMBER 8, 1982

U.S. SENATE,
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 3110, Dirksen Office Building, Hon. Lowell P. Weicker, Jr., presiding.

Present: Senators Weicker, Nickles, Metzenbaum, Tsongas, and Bradley.

Also present: Gary Barbour, professional staff member; D. Michael Harvey, chief counsel for the minority; and James T. Bruce, counsel for the minority.

OPENING STATEMENT OF HON. LOWELL P. WEICKER, JR., A U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator WEICKER. The subcommittee will come to order. It has before it as its first witness the Secretary of the Interior, James Watt.

Mr. Secretary, why don't you come up, sit down, and bring whoever you will with you. I will make my opening statement, and then we will proceed to your statement and introduction of your colleagues.

Today the Subcommittee on Energy Conservation and Supply is pleased to have this opportunity to discuss with the Secretary of the Interior, James Watt, our concerns over the 5-year Outer Continental Shelf oil and gas leasing program.

We are all aware of the need for this Nation to become energy independent. Congress passed the Outer Continental Shelf Lands Act Amendments of 1978 to help achieve this aim. Section 18 of the act requires the Secretary of the Interior to develop and approve a 5-year leasing program for offshore oil and gas development. According to the act, that development is supposed to strike a proper balance between protecting marine, coastal, and human environments and meeting our energy needs.

On July 21, 1982, the Department of the Interior announced its new OCS 5-year leasing plan which opens almost the entire Continental Shelf, nearly 1 billion acres, for lease over the next 5 years. This amounts to about 25 times as much acreage as has been offered since 1953 when the program began.

This grossly accelerated plan in my opinion does not meet the requirements of either the OCS Land Act Amendments of 1978 or the Coastal Zone Management Act which together oversee the management of our OCS activities. It poses a threat to the marine environment and to our valuable fisheries such as those operating on Georges Bank.

The subcommittee's particular concerns with the plan are the following.

First, there are large information gaps concerning the nature and extent to which public resources will be affected by the opening of nearly all of the Continental Shelf.

Second, the streamlined leasing procedures will frustrate participation by affected coastal States, local governments, and the public. It will be difficult for anyone to comment on the size, timing and location of a lease until it is too late.

Third, environmental concerns such as the relative marine productivity and environmental sensitivity of different OCS areas are not taken into consideration. This is a direct violation of the U.S. Court of Appeals for the District of Columbia findings of last October. At best, we now only have a cursory knowledge of the diversified ecology of the Continental Shelf.

Fourth, the revised program has invited further litigation.

For example, on July 22, a coalition of interest groups headed by the Natural Resources Defense Council once again filed a petition challenging the program. The States of California, Alaska, and New Jersey have done the same.

Fifth, the accelerated plan appears to affect fair market value of the leases. These concerns coupled with the administration's effort to eliminate the coastal zone management program and to deny that the preleasing does not directly affect coastal States and therefore eliminate the consistency clause of the CZMA make acceptance of this plan by the subcommittee difficult.

One further point—testimony given before this committee on the Campeche oil spill and oil development on Georges Bank last year clearly indicated that the Coast Guard and the oil industry do not have the technology or funds to deal with major offshore oil spills.

The accelerated plan proposed by the Department of the Interior would only serve to further aggravate this problem. In summary, the plan as it now stands has many problems and it should not be implemented. It is my hope that we can openly and honestly address these concerns here today.

I have a statement for the record from Senator Hollings.

[The prepared statement of Senator Hollings follows:]

STATEMENT FOR HEARING ON THE 5 YEAR OCS LEASING PROGRAM, BEFORE THE ENERGY SUPPLY AND CONSERVATION SUBCOMMITTEE, ENERGY AND NATURAL RESOURCES COMMITTEE

The Honorable Ernest F. Hollings
September 8, 1982

MR. CHAIRMAN. I appreciate the Chairman's invitation to join with your subcommittee in examining the Department of Interior 5 Year Oil and Gas Leasing Program. As you know, I have a direct interest in this subject, since it has been used consistently in attempts to frustrate the objectives of the Coastal Zone Management Act, and the Federal-State partnership established under that law. The Administration, in fact, with Secretary Watt in the lead, has made a great furor over returning authority and control to the states -- announcing such policies as the "Sage Brush Rebellion" and "New Federalism" -- to name two of the most popularized.

The record, however, does not bear this out. The record, in fact, demonstrates just the opposite result -- a concentration of power and authority in Washington. Three recent examples of Department of Interior policies clearly point out the difference between the rhetoric and the action taken.

Coal Leasing Policy. On August 10, 1982, a letter signed by 9 Western Governors -- 7 Republicans and 2 Democrats -- was sent to Secretary Watt asking for reconsideration of the new coal leasing policies which emasculate the Regional Coal Teams. These Teams, composed of Governors and Interior officials set up by region, would weigh how much coal should be leased at any given time, and where development should occur, before forwarding a recommendation to the Secretary for consideration. The Governors recommended retaining this approach. Secretary Watt, however, rejected this advice in his July 30th regulations on the matter. Even before issuing the new regulations, however, the Secretary had already ignored the recommendation of a Regional Coal Team when he proposed leasing 800 million to 1.2 billion tons of coal by the Montana-North Dakota border, when the Team recommended only 400 to 800 million tons.

Is this how the Secretary of the Interior returns control to the states -- by ignoring the recommendations of the Governors?

Wilderness Area Leasing. On May 1st of this year, the Interior Department issued an oil and gas lease affecting the Wambaw Creek Wilderness Area in South Carolina. The lease was issued in spite of the Secretary's agreement with the Congress and pledge to the American people not to lease in Wilderness Areas. The reason for the agreement was to permit the

Congress to review this policy and take corrective legislative action. And furthermore, the agreement clearly stems from November 20, 1981, on which date the House Interior Committee adopted a Resolution establishing a moratorium on leasing in Wilderness Areas. More important than the date of the Resolution, however, is the transcript of the Committee meeting, which shows that Congressman Richard Cheney had clearly consulted with, and was speaking for, the Interior Secretary and the Administration. At that time Congressman Cheney stated that the Interior Secretary would abide by the moratorium. In a letter dated November 23, 1981, Congressman Udall forwarded a copy of the Resolution to Secretary Watt and requested his "continued cooperation" in complying with the terms of the Resolution. Although Secretary Watt did not reply in writing until January 18, 1982, it was understood that an agreement was already in effect.

In addition, the information was available that the lease application in question affected Congressionally-designated Wilderness Area. A list was forwarded by the Forest Service to Congressman Udall on December 14, 1981, which identified the Wambaw Creek lease application as affecting statutory wilderness. In spite of the Secretary's pledge to the Congress and the American people, a portion of the Wambaw Creek Wilderness Area was leased on May 1st of this year. The House Interior Committee was not alerted to this fact for 3½ months. This allegedly occurred because the Interior Secretary did not know about it at the time. When Mr. Watt did discover it, so the story goes, he called up the lessee and negotiated a No Surface Occupancy Stipulation (NSO). He took no action to negotiate the removal of the small portion of the leased area that fell within the Wilderness Area - a mere 8% of the total lease - but rather negotiated a stipulation which at best can be described as under review in the courts.

The present Wilderness Areas in this nation constitute less than 1% of the total land mass. Even if all the areas presently being studied for designation became Wilderness Areas, we are still talking about less than 1½% of our total land mass. What possible excuse can be offered for defiling these miserably small vestiges of our natural heritage?

It is obvious why the Governors are making an effort to rein in the Interior Department over Wilderness leases, as well as coal policy. This past month the National Governors Conference adopted a Resolution requesting 60 days to consider recommendations and stipulations affecting Wilderness Areas in their respective states. And once having made recommendations, they want a written response on those recommendations from the Secretary prior to any decision being made on leasing, exploration, or development applications. While the Governors' Resolution is hardly an extreme one given Interior's track record, I have to question whether it goes far enough. What has become clear is that moderation and cooperation are not reciprocated by the Secretary.

5 Year OCS Leasing Program. The Administration and the Department of Interior have consistently sought to frustrate the legitimate role of the states in OCS oil and gas leasing. Let's look at this record as well.

Last year, Interior forced the Commerce Department to withdraw Federal Consistency regulations under the Coastal Zone Management Act. The Federal consistency provision, section 307 of that law, permits those states with a Federally approved coastal management program to review Federal actions that affect their coastal zone for consistency with their programs. The regulations, at the behest of Interior, were re-written to so narrowly define the term "directly affects" that the states could not exercise their statutory right to determine whether an OCS lease sale was consistent with their approved programs.

One of the excuses offered by the Interior Department for this action was that Federal Consistency constituted a state "veto" over OCS leasing. In reality, however, not only did the Department ignore the law, but were the parties responsible for creating the "veto" situation. The Coastal Zone Management Act, better than any other statute I know, creates a Federal-State partnership -- and shared Federal-State responsibility -- for both preservation and development in our coastal areas. This law epitomizes a real, and successful effort to decentralize decision-making in Washington and return some authority to the states. This, of course, is a policy highly touted by the present Administration, and particularly by the Interior Secretary. However, Secretary Watt's indefatigable efforts to undermine the Federal Consistency provision, instead, created the "veto" circumstance by causing major and expensive litigation to resolve the regulatory issue. Interior's actions also prompted me to introduce a resolution of disapproval, S. Con Res. 29, which easily gathered 35 cosponsors before the regulations were withdrawn. The House Merchant Marine Committee had to take action as well, and reported the House resolution of disapproval.

The litigation has lasted to the present. On August 13th of this year, the 9th Circuit Court of Appeals upheld a California District Court decision overturning the Interior-inspired definition of "directly affects." But like most others who have been involved in watching the Administration's rhetoric diverge from its action, I have to wonder how much longer this useless, budget-wasting, and pointless battle to deny the states and the public their rights of participation is going to be dragged out? How much longer is Secretary Watt going to talk out of one side of his mouth, paying lip service to states' rights, while he continues to push toward centralizing authority not only in Washington, but in his office? We can be certain of one point. If the Administration cannot achieve their authoritarian ends any other way, they will continue to try to cut off funds for Coastal Zone Management and other similar programs.

Today we have before us the latest installment of the 5 year OCS leasing program, and litigation has once again been filed, spurred on by Interior's efforts to ignore and twist state participation and environmental considerations to promote their authoritarian view of the democratic process. Once again, under the guise of the all-purpose policy of "streamlining," Secretary Watt and the Administration are seeking to disenfranchise the coastal states and the American public. On July 14, 1982, I joined Senator Weicker in a letter to Secretary Watt pointing out what we believed were fatal legal flaws, and unnecessary actions that would yield more litigation, in the latest 5 year leasing program. We have just recieved our response, and it is filled with bland assurances and generalizations. I fail to see how either the Federal Consistency provision of the Coastal Zone Management Act, or section 18 of the Outer Continental Shelf Lands Act can be implemented, as the Secretary maintains in the letter. This is made particularly difficult, with no specifics offered in the letter, in the face of the massive areas to be leased, the shortened time frame for the states to respond, and the reduction of environmental considerations to useless generalizations.

What this Administration, and Secretary Watt, continue to ignore is that there is no effort on the part of the Congress to stop OCS lease sales. On the contrary, we simply want to see lease sales go forward in a manner that permits the Federal-State partnership to blossom. The fact is that it is neither the Congress nor the states that are holding up leasing -- it is Secretary Watt and the Interior Department. Rather than working with the states to establish a proper balance between protecting our environment and meeting our energy needs, they ride off into the sunset making their own rules, threatening our environmental frontiers, and circumventing the role the states should play in such matters. Their action to continue to consolidate authority and control in Washington, wearing a thin disguise of empty rhetoric avowing states' rights, speaks for itself, whether we consider coal policy, Wilderness Areas, or OCS lease sales.

This is why I have joined Senator Weicker in sponsoring our amendment to the Outer Continental Shelf Lands Act. It is simply worded for a purpose, and very simply requires that Secretary Watt implement the law under both section 18 of the OCSLA and section 307 of the CZMA.

That concludes my statement, Mr. Chairman.

# # # # #

Senator **Weicker**. What I would like to do is to have my good friend and colleague, Howard Metzenbaum of Ohio, make his opening statement, and then, Mr. Secretary, we will have your statement.

STATEMENT OF HON. HOWARD M. METZENBAUM, A U.S. SENATOR FROM THE STATE OF OHIO

Senator **Metzenbaum**. Mr. Chairman, I want to commend you on convening these hearings. I think they are extremely important. Certainly the program of OCS leasing is a matter of concern to millions of Americans and it concerns them for a number of reasons.

The American people are concerned about whether we have embarked on a program of wasting our natural resources. The American people are concerned about whether we are wreaking havoc with the environment, and they are concerned about whether or not this program is in accordance with the principles of the free market system in which we operate.

As the Secretary is aware, in 1977 I authored an amendment to the Outer Continental Shelf Act to provide some protection for independent producers and smaller operators. I realize that it is obviously a controversial proposal to allow independents and small operators to have a piece of the action, but that was what my amendments were designed to do. Unfortunately, the conference report left the Secretary broad discretion in deciding which bidding system to employ in leasing OCS tracts. However, it is clear that the Secretary has the power to use alternate bidding systems such as variable bid and net profit share, and it is clear that Congress wanted you to experiment.

Under those circumstances, I have difficulty comprehending, Mr. Secretary, your affidavit that was offered in the Court of Appeals for the D.C. Circuit saying that unless the Congress or the court mandated that you experiment that you would only use bonus bidding.

You are ostensibly part of an administration that is dedicated to the free enterprise system operating and working well. A healthy, competitive free enterprise system means that the small companies have a chance as well as the large ones. But bonus bidding means only that Exxon and Arco and Mobile and Gulf and Texaco and the other big companies with vast amounts of cash on hand will secure all of the leases under bonus bidding, and yet you say that is the only procedure you will follow. It is my understanding your argument is that the independents can join together by forming partnerships, but that is not a reality of life. The facts are that bonus bidding means that only the largest oil companies in America and the world can have an opportunity to develop the Outer Continental Shelf facilities that we have.

Now last May you came forward with a program for accelerated oil and gas leasing on the Outer Continental Shelf. Your plan has been described as controversial. Frankly, Mr. Secretary, that is not the right word. Words I would use to describe that plan are much stronger, words like "radical", "irresponsible", "extremist", and "wasteful". Probably worst of all I would consider the plan to be extremely shortsighted and not in the best interest of the American people.

Consider what this program proposes to do. In 1981, Interior offered for lease 7.6 million acres, the largest amount ever, of which 2.3 million acres were actually leased, less than a third offered. We don't yet have the figure for 1982, but we do know that Interior expected recent OCS sale No. 68 to generate substantial industry interest in the oil and gas industry.

What happened? Instead of large cash bonus bids, the sale brought in $132 million, a paltry sum. That was the smallest amount ever offered for a major California sale. On several parcels bids came in from only one company and no bids at all were received for fully two-thirds of the tracts offered for leasing.

The market, Mr. Chairman, is sending us a message on the level of demand for OCS leases. The message is not surprising given today's high interest rates and the worldwide glut of oil and gas. Elementary economics tells us if we want to get a fair return on the public's oil and gas resources, this is not the time to sell. You don't go into the marketplace and sell when there is no demand for it. You sell when there is a demand, but that is not the position of this administration. Yet, according to your plan, Interior will in 1983 offer for lease not 8 or 10 million or even 20 million acres annually. The plan is to offer 200 million acres in 1983, 200 million more in 1984, 1985, 1986, 1987, for a grand 5-year total of 1 billion acres.

I have sat through hearings in this committee day in and day out where oil industry representatives, when Government representatives and independent experts came before the committee and said we have a finite amount of oil and gas, and we must conserve, and yet here we are proposing to give those finite resources away during a soft market.

On the face of it, it would seem to me that the program to lease 200 million acres a year for 5 years is absurd, and that the only conceivable result will be the most monumental giveaway in the Nation's history, vast and immensely valuable public resources leased out at bargain basement prices and in all probability leased out to the largest corporations in America.

Mr. Chairman, I am a cosponsor of the resolution to disapprove of the administration's OCS plan. I'm sorry that it hasn't moved more rapidly in this committee, and I look forward today to explore with the Secretary his and the administration's rationale for this program and hopefully to inquire also as to why, under the circumstances that presently exist, with the pouring out of more and more tracts for leasing and development this administration is also cutting back on its programs for solar energy development, for gasification, for liquefaction, for shale oil development, for geothermal development, and most important of all, particularly since this is the Conservation Subcommittee this administration's failure to provide funding for the critical programs designed to conserve our limited natural resources.

Mr. Chairman, I thank you.

Senator **WEICKER**. Thank you very much, Senator. Mr. Secretary, we, of course, are proceeding with your testimony. Why don't you introduce those that accompany you here?

STATEMENT OF HON. JAMES G. WATT, SECRETARY OF THE INTERIOR, ACCOMPANIED BY ROBERT RIOUX, DEPARTMENT OF THE INTERIOR, MINERALS MANAGEMENT SERVICE; DON TRUESDELL, DEPARTMENT OF THE INTERIOR, MINERALS MANAGEMENT SERVICE, AND JOE GRIBBIN, DEPARTMENT OF THE INTERIOR, MINERALS MANAGEMENT SERVICE

Secretary WATT. Thank you very much. I appreciate the opportunity to testify, and based on the two opening statements, this hearing is long overdue. The misunderstandings, the statements of fact that are missing, the errors that have been presented, dictate that we have this hearing, so I appreciate the fact that you have called it.

It is important that we discuss one of the most important elements of the Reagan administration's energy policy—the oil and gas inventory of America's Outer Continental Shelf.

The offshore leasing plan became final in July after 19 months of detailed consultations with the 23 affected States, and after amassing and revising an administrative record which totals over 5,000 pages. The effort has been quite simply the most comprehensive, exhaustive project in the Department's history.

The 40 lease offerings scheduled over the next 5 years will mean opportunities for our most resourceful product of freedom, the free enterprise system, to search for offshore oil and gas. Most of the OCS has been closed to exploration by the Federal Government since leasing began 3 decades ago. The Reagan administration, however, now intends to advance the consumer, and I want to emphasize, it is the consumer's interests that have been neglected for these 3 decades, these 30 years. We speak about this particularly because that is where this philosophy or the philosophy of this administration is focused, and these consumer interests have been neglected for too many years.

We have focused our attention on the taxpayer who has been abused by the policies of the past. We have also neglected the security interests of this Nation and have failed to give them appropriate and considered value judgments in considering leasing of the Outer Continental Shelf. We have structured a program that has strict environmental standards and will open to the private sector those lands beyond the State water, usually 3 miles from the coast, which geologists predict will generate about 22 billion barrels of oil and 132 trillion cubic feet of natural gas.

It needs to be emphasized repeatedly that the first 3 miles, the land that you see, the land that is shown by the TV cameras as they go down the beautiful coast, the craggy cliffs and the beaches, that land is under State jurisdiction and not the Federal Government. Now off the coast of Texas it is about 9 miles. What we are talking about today are the Outer Continental Shelf lands that lie way out beyond the 27, the 15, and the 200 mile areas. It is not the beaches. They are under the State jurisdiction, and that is particularly critical when we come to the State of California, and I hope that we will discuss that in some detail in today's meeting. There is a basic lack of understanding that what we are talking about is the far out lands under the oceans, not the coastal beach areas, and too many people without understanding or intentionally, have made comments and conclusions that are not accurate or fair.

There is a fundamental relationship that has guided us in the development of the new lease plan. That relationship is between an economic and certain supply of energy, economic growth, the harmonious development of our national goals and our national security. The inseparable links that bind these cogs in the wheel of well-being are most evident in a period such as the one we are experiencing now when our economic growth has paused while the essential building blocks of our long-term growth are themselves being restored to health.

For America to be strong in the long run, we must have abundant supplies of energy, whether it comes from the atom, the oceans, the land or the sun, but in the short term, America's greatest hope for reducing our dependency on foreign sources is the Outer Continental Shelf.

Now it would be foolish for us to think in terms of 5 or 10 years. When we talk about short-term interests for America's energy needs, we are talking about 10, 20, and 30 years, for that is how long it takes to bring on a coal mine, a nuclear powerplant, or an Outer Continental Shelf oil and gas field. Yet there are the critics who stand by and say you shouldn't sell, as Senator Metzenbaum has talked about today, when there is an oil glut. Now being nearsighted is not the answer, for we are talking about short-term and long-term, and long-term is 50 years and more. If we do not find adequate supplies of oil and gas in the short term, in the next 10 to 20 years, we will have to enter into a crash program for the development of nuclear power at an unprecedented rate because the consumers of America need and demand energy.

Senator Metzenbaum. I don't wish to interrupt you, Mr. Secretary, but in your comments will you also explain then the administration's rationale for cutting back on conservation, cutting back on shale oil and solar energy, all of the rest, geothermal?

Secretary Watt. Absolutely. You have raised that question and we certainly need to do that, and I intend to do that fully, and I am sure you will push me further.

Senator Metzenbaum. I don't mean to interrupt you.

Secretary Watt. But we must consider perspective and timing. If we lease today, we are talking about 5 to 10 years before the consumers of America would benefit one barrel of oil, if they found something and perhaps 20 or 30 years before production peaks. For someone to stand and say that you have got to hold back and only sell when prices are higher denies the consumer interest, and I want to explore that fully because we are making a dramatic change in philosophy that will benefit the private enterprise system, the smaller companies, and the consumer. The consumer and smaller companies have been neglected and ignored by the past administrations, and that is why we have made a major change in a shift in emphasis.

For America to be strong, we must bring along the renewable energy resources for the long term, but we must also survive in the short term.

When the Reagan administration took office 19 months ago, we found a Nation that was importing over 40 percent of its crude energy needs, and a country dependent upon the import of a majority of the strategic minerals needed for military might and industrial strength. The President had made as a primary issue in his campaign the need for changing the management of our natural resources in order to reduce the vulnerability of America caused by those sometimes unstable and unfriendly countries which supply us with so much of our crude energy and strategic minerals.

I was given a charge to bring about the change that was needed to reduce America's dependency. The change that I speak of here certainly has a price. The critics have been extremely vocal and quick to attack without regard to facts or fairness. The President is very much aware of the contribution proper management of our public lands and our Outer Continental Shelf could make toward creating jobs if anyone is interested in creating jobs as this administration is, strengthening the national security as this administration is trying to do, protecting the environment as we are doing and in which we have been significantly improving the record, and reducing the flow of foreign oil to our shores.

We expect to generate from the Federal lands owned by all Americans, not just the coastal States, but by all Americans, 85 percent of all the crude oil that will be produced in America, 40 percent of the natural gas, 35 percent of the coal, 65 percent of the oil shale, 90 percent of tar sands, and over half of the geothermal uranium and resources. In other words, the American people own sufficient raw energy resources to meet our needs for hundreds and hundreds, if not thousands, of years.

Our problem has not been a lack of energy resources but a lack of the will to manage these resources properly for the benefit of the consumers and our national security as well as for the protection and enhancement of our environment.

Energy is the Achilles heel for America, whether we talk about consumer interests, national defense interests, or international affairs. Those who control energy production and distribution have an impact on domestic as well as foreign activities. If in our new thrust we do not find major new oil and gas reserves, America will be forced to turn to crash programs for the development of our other power resources.

In the past, Government employees in the Department of the Interior determined which acres in the Outer Continental Shelf should be offered for lease for drilling. The wisdom of the bureaucracy since 1953 served up roughly 50 million acres of the 1 billion acres. The industry leased only 22 of the 50 million acres. Obviously what the bureaucracy felt was attractive for oil potential was not considered attractive by the industry more than half the time. In our efforts to increase competition and deliver energy products to the consumer, we decided to reverse the process.

Ours is a strengthened and straightforward approach. Over the next 5 years we will say to the private enterprise system, what acres do you think are the most promising for the discovery of oil and gas? Once those acres have been selected, we will then carry out exhaustive environmental impact studies on which we have already spent $320 million, and if all the conditions are met for proper protection of the environment—the shellfish, the finfish, the mammals and the coastlines—we will then offer the OCS land for lease. This process will attract many competitors who will invest millions and billions of dollars in drilling operations that will prove successful in delivering oil and gas to American consumers.

Past Secretaries of the Interior have limited the acreage available to the bidding process which kept the bonus bids high. Senator Metzenbaum, this is directed toward some of your earlier comments. I want to belabor this a little bit. Past Secretaries of the Interior have limited the acreage available to the bidding process which kept the bonus bid high and kept the competition to the few major oil companies and crowded out the smaller companies. By restricting the number of acres available, you jack up the bonus prices to huge costs that crowd out competition and leave it to the seven sisters and those mighty companies.

We don't believe that that is good public policy, and that is why we have made a major philosophical shift to increase and encourage competition. By increasing the supply, by opening up, you encourage competition to come up so they won't have to pay such high bonus bids.

Now my previous successors frequently played this program to meet the short-term budget needs rather than focusing on the consumers, but if you are interested in consumers, you want to deliver energy to them. If you are interested in national security, you want energy, and energy comes about through competition, not through restricting the supply as my predecessors did. So by opening up the number of acres we reduce the bonus bids hopefully, and that is our objective. Yet even in your opening statement, Senator Metzenbaum, you criticized inconsistently our desire to reduce the bonus bids so that we can get more people into the program, exploring and inventorying, and hopefully, finding large reserves on our Outer Continental Shelf.

Senator METZENBAUM. Isn't that inconsistent?

Senator WEICKER. The Chair would appreciate it if we could only, so we have some sort of system here, allow the Secretary—I realize you are both gearing up here for——

Secretary WATT. I am trying to respond to his questions.

Senator WEICKER. Mr. Secretary, why don't you proceed with your statement, and there will be plenty of opportunity for you——

Secretary WATT. I don't want to be ignoring his questions.

Senator WEICKER. Why don't we finish and go into these——

Senator TSONGAS. I would suggest the Secretary not mention Senator Metzenbaum by name because he is simply——

Senator WEICKER. It is also Senator Metzenbaum mentioning the Secretary's name.

Secretary WATT. Are we supposed to be incognito here today? For the record, I am James Watt. I like to be known.

Senator WEICKER. We understand that. I find myself in the unusual position of being peacemaker in this, so why don't we proceed with your statement and then we will go to the questions and answers?

Secretary WATT. Senator Metzenbaum, I will try not to use your name if I offend Senator Tsongas. I wasn't embarrassed by your name. You asked good questions and your questions need to be addressed, and I do that because frequently some Senator comes in and says you didn't address my questions and you are not responsive. I want to be responsive because there is tremendous misinformation out about this, obviously because of the two opening statements I heard, so don't attack me for not responding and I won't use your name for a while.

Senator **Metzenbaum**. I don't care what you do.

Secretary **Watt**. I will read this script as boringly as I can.

By keeping the bonus bids high, previous Secretaries of the Interior have limited competition and kept the Outer Continental Shelf drilling activities in the hands of a very few major oil companies that could offer such bids. That is pretty good. That is as boring as my voice gets I think.

This administration's philosophy does not cater to the big corporations but rather seeks to stimulate competition and serve consumer interests. This is done by opening up large parcels of offshore lands with the hopes that huge oil and gas finds will be discovered.

The Outer Continental Shelf program's environmental record is beautiful. There has not been a large spill reaching shore since 1969. That means from Federal activity—this is to respond to the Senator, whose name I shouldn't use—so that spill taught the Government and the industry a great deal. The same mistakes would not now be made. The greatest environmental danger to the coastline of America is the threat of oilspills from foreign tankers carrying foreign crude manned by foreign crews.

In developing the ambitious program for leasing portions of the Outer Continental Shelf for oil and gas exploration and development, I have followed the detailed statutory requirements set forth by Congress. Those requirements require repeated consultations with the Governors of the affected States and the Congress. In addition, I was required to develop my final plan and send it to the Congress for 60 days so that the Congress could review it, so it came to the Congress for 60 days to be altered, amended, or changed.

Hearings were held by the House Merchant Marine and Fisheries Committee as well as one of the subcommittees of the House Interior and Insular Affairs Committee. Testimony was taken at both hearings. Not one single vote was registered by one single Congressman to alter, amend, or change the plan as it has been developed through the exhaustive and extensive consultations in the preceding 19 months. Only 2 of the 23 affected States have sued the Department in its final 5-year leasing program—Alaska and California. Alaska's interests are both genuine and exceptional. Over half of the acreage to be offered will be in Alaska. We have consulted closely with Alaska and made a number of changes in the program at its request.

While criticizing us, California has been properly issuing hundreds of drilling permits within State waters, the first 3 miles. In fact, since 1979, Governor Brown has been issuing offshore oil drilling permits in the Santa Barbara Channel. It must be remembered that the California leases are within 3 miles of the coastline and the beaches. The State's activities are what you see. The Federal activities affect the lands far out under the ocean waters. We commend the Governor for his program to inventory California's offshore oil and gas resources.

The most recent suit by California relating to the OCS leasing program was brought on the August Reoffering Sale, RS-2. The district court judge without comment from the Federal Government on a motion to dismiss, on his own motion, and without any suggestion by the Federal Government, threw out the suit because it was totally without merit. The State of California appealed to the Ninth Circuit Court of Appeals, but the ninth circuit agreed with the district court.

It should also be noted that California had previously challenged these tracts in an earlier litigation but lost on the very same tracts before yet another district court judge.

Any Secretary of the Interior is likely to receive abundant criticism because of the conflicts structured into the office, for vested in that office are statutory duties and obligations riddled with conflict, inconsistency, and controversy. Any person who seeks to exercise commonsense and balanced judgment will be criticized, for the Secretary of the Interior is one of America's chief environmental officers. He is also the chief strip miner, the chief park ranger, the chief driller for oil and gas, the chief manager of wildlife, and the chief builder of dams and water resources. He is in charge of the trust territories in the Pacific, and after you have added all those hats to the man who sits in the Secretary's chair, you must also call him the chief Indian for he is the trustee for the 1.4 million Indians in America.

Conflict with controversy rages by definition and statute within the Office of the Secretary. It is inherent in the job. The special interest groups, over 220 of them, all demand—that is national groups—all demand that the Secretary see the issues as they see them, and some turn blind eyes to any other alternative or option.

Today's hearing, by the way, is the 353d at which Interior witnesses have appeared since January of 1981. That is an average of nearly 1½ hearings every legislative day. We estimate that this direct communication has consumed more than 36,000 man-hours in the preparation of testimony alone—certainly a clear indication that the Department of the Interior intends to work with and not around the legislative branch.

I have reached out to everyone—civic groups, labor and business groups, political groups, conservation groups, school groups—and I have presented the same basic message time after time. We need the support of the American people to develop the array of energy sources so that America's greatness can be restored, and we can improve our national security, enhance our quality of life and environment, and create jobs.

That is our objective. That is our determination, and inventory through leasing is the key. It is the key to the long-term health of our economy, our national energy planning, and indeed our national security. Eighty-five percent of America's untapped oil wealth is on publicly owned land. Two-thirds of that is offshore, and much of the new oil is expected to be found off Alaska's coast.

Nearly the entire Outer Continental Shelf, 1 billion acres, will be considered within 5 years compared to 55 million acres under the Carter administration's proposal. This does not mean that we will lease necessarily any more than we have been in the recent year. Rather, and this is crucial, the market and not the Government will decide which tracts are most promising and which merit a priority in terms of scarce U.S. investment dollars.

I would be happy to have a dialog with you on any of the issues that concern you, and we will try to be responsive. With me is Bob Rioux who is in our Minerals Management Service and is an expert on the whole subject, and I have other staff people who can help answer the questions that I don't have answers for.

Mr. Chairman, it is my intention to be responsive, and I apologize for responding in the middle of my text to some of the questions that had been raised, and look forward to helping you better understand this program that is final, is in effect, is in place, is working, and hopefully will deliver to the consumers of America the energy that they need so desperately.

[The prepared statement of Secretary Watt follows:]

STATEMENT OF JAMES G. WATT, SECRETARY OF THE INTERIOR, BEFORE THE U.S. SENATE, COMMITTEE ON ENERGY AND NATURAL RESOURCES, SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY, ON THE DEPARTMENT OF THE INTERIOR'S 5-YEAR OUTER CONTINENTAL SHELF LEASING PROGRAM, SEPTEMBER 8, 1982.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I appreciate your invitation to discuss one of the most important elements of the Reagan Administration's energy policy -- the oil and gas inventory of America's Outer Continental Shelf.

The offshore leasing plan became final in July, after 19 months of detailed consultations with the 23 affected States and after amassing and revising an administrative record which totals some 5,000 pages. This effort has been, quite simply, the most comprehensive, exhaustive project in the Department's history.

The 40 lease offerings scheduled over the next 5 years will mean opportunities for our most resourceful product of freedom, the free enterprise system, to search for offshore oil and gas. Most of the OCS has been closed to exploration by the Federal Government since leasing began 3 decades ago. The Reagan Administration, however, now intends to advance the consumer, taxpayer, and security interests of this Nation while maintaining strict environmental standards and will open to the private sector those lands beyond State waters, usually 3 miles from the coast, which geologists predict will generate billions of barrels of oil.

There is a fundamental relationship that has guided us in the development of the new lease plan. That relationship is between an economic and certain supply of energy, economic growth, the harmonious development of our national goals and our national security. The inseparable links that bind these cogs in the wheel of well-being are most evident in a period such as the one we are experiencing now -- when our economic growth has paused while the essential building blocks for our long-term growth are themselves being restored to health.

For America to be strong in the long run, we must have abundant supplies of energy whether it comes from the atom, the oceans, the land or the sun. But in the short term, America's greatest hope for reducing our dependency on foreign sources is the Outer Continental Shelf.

When the Reagan Administration took office 19 months ago, we found a Nation that was importing over 40 percent of its crude energy needs, a country dependent upon the importing of the majority of the strategic minerals needed for military might and industrial strength.

The President had made as a primary issue in his campaign the need for changing the management of our natural resources in order to reduce the vulnerability of America caused by those sometimes unstable and unfriendly countries which supply us with so much of our crude energy and strategic minerals. I was given a charge to bring about the change that was needed to reduce America's dependency.

The change that I speak of here certainly has a price. The critics have been extremely vocal and quick to attack without regard to facts or fairness. The President is very much aware of the contribution proper management of our public lands and the Outer Continental Shelf could make toward creating jobs, strengthening the national security, protecting the environment, and reducing the flow of foreign oil to our shores.

We expect to generate from the Federal lands owned by all Americans 85 percent of all the crude oil that will be produced in America; 40 percent of the natural gas; 35 percent of the coal; 85 percent of the oil shale; 90 percent of the tar sands; and over half of the uranium. In other words, the American people own sufficient raw energy resources to meet our needs for hundreds and hundreds, if not thousands, of years.

Our problem has not been a lack of energy resources, but a lack of the will to manage these resources properly for the benefit of the consumers and our national security, as well as for the protection and enhancement of our environment.

Energy is the Achilles heel for America, whether we talk about consumer interests, national defense interests or international affairs. Those who control energy production and distribution have an impact on domestic as well as foreign activities. If, in our new thrust, we do not find major new oil and gas reserves, America will be forced to turn to crash programs for the development of other power resources.

In the past, Government employees in the Department of the Interior determined which acres in the Outer Continental Shelf should be offered for lease for drilling. The wisdom of the bureaucracy since 1953 served up roughly 50 million acres of the 1 billion acres. The industry leased only 22 of the 50 million acres. Obviously, what the bureaucracy felt was attractive for oil potential was not considered attractive by the industry more than half the time. In our efforts to increase competition and deliver energy products to the consumers, we decided to reverse the process.

Ours is a straightforward approach. Over the next 5 years we will say to the private enterprise system, "What acres do you think are the most promising for the discovery of oil and gas?" Once those acres have been selected, we will then carry out exhaustive environmental impact studies on which we have already spent $320 million and if all the conditions are met for proper protection of the environment -- the shellfish, fin fish, mammals and coastlines -- we will then offer the lands for lease. This process will attract many competitors who will invest their billions of dollars in drilling operations that will prove successful in delivering oil and gas to American consumers.

Past Secretaries of the Interior have limited the acreage available to the bidding process which kept the bonus bids high. By keeping the bonus bids high, previous Secretaries of the Interior limited competition and kept the Outer Continental Shelf drilling activities in the hands of the very few major oil companies that could offer such bids. This Administration's philosophy does not cater to the big corporations but, rather, seeks to stimulate competition and serve consumer interests. That is done by opening up large parcels of offshore lands with the hopes that huge oil and gas finds will be discovered.

The Outer Continental Shelf program's environmental record is beautiful. There has not been a large spill reaching shore since 1969. That spill taught the Government and the industry a great deal. The same mistakes would not now be made. The greatest environmental danger to the coastline of America is the threat of oil spills from foreign tankers carrying foreign crude, manned by foreign crews.

In developing the ambitious program for leasing portions of the Outer Continental Shelf for oil and gas exploration and development, I have followed the detailed statutory requirements set forth by Congress. Those requirements require repeated consultations with the Governors of the affected States and the Congress. In addition, I was required to develop my final plan and send it to Congress for 60 days so that the Congress could review it.

Hearings were held by the House Merchant Marine and Fisheries Committee, as well as one of the Subcommittees of the House Interior Committee. Testimony was taken at both hearings. Not one single vote was registered by one single Congressman to alter, amend or change the plan as it has been developed through the exhaustive and extensive consultations in the preceding 19 months.

Only 2 of the 23 affected States have sued the Department on its final 5-year leasing program: Alaska and California. Alaska's interests are both genuine and exceptional -- over half of the acreage to be offered will be in Alaska. We have consulted closely with Alaska and made a number of changes to the program at their request.

While criticizing us, California has been properly issuing hundreds of drilling permits within State waters. In fact, since 1979, Governor Brown has been issuing offshore oil drilling permits in the Santa Barbara Channel. It must be remembered that the California leases are within 3 miles of the coastline and the beaches. The State's activities are what you see; the Federal activities affect the lands far out under the ocean waters. We commend the Governor for his program to inventory California's offshore oil and gas resources.

The most recent suit by California relating to the OCS leasing program was brought on the August Reoffering Sale, RS-2. The District Court Judge, without comment from the Federal Government on a motion to dismiss, on his own motion and without any suggestion by the Federal Government, threw out the suit because it was totally without merit. The State of California appealed to the 9th Circuit Court of Appeals, but the 9th Circuit agreed with the District Court Judge. It should also be noted that California had previously challenged these tracts in an earlier litigation but lost on the very same tracts before yet another District Court Judge.

Any Secretary of the Interior is likely to receive abundant criticism because of the conflicts structured into the office. For vested in that office are statutory duties and obligations riddled with conflict, inconsistency, and controversy. Any person who seeks to exercise common sense and balanced judgment will be criticized, for the Secretary of the Interior is one of America's chief environmental officers. He is also the chief strip miner, the chief park ranger, the chief driller for oil and gas, the chief manager of wildlife, and the chief builder of dams and water reservoirs. He is in charge of the trust territories in the Pacific and, after you have added all those hats to the man who sits in the Secretary's chair, you must also call him the chief Indian, for he is trustee for the 1.4 million Indians in America.

Conflict with controversy rages by definition and statute within the Office of the Secretary. It is inherent in the job. The special interest groups -- over 220 of them -- all demand that the Secretary see the issues as they see them and some turn blind eyes to any other alternative or option.

Today's hearing, by the way, is the 353rd at which Interior witnesses have appeared since January of 1981. That is an average of nearly one and one-half hearings every legislative day. We estimate that this direct communication has consumed more than 36,000 manhours in the preparation of testimony alone -- certainly a clear indication that the Department intends to work with and not around the Legislative Branch.

I have reached out to everyone -- civic groups, labor and business groups, political groups, conservation groups, school groups -- and I have presented the same basic message time after time:

> We need the support of the American people to develop the array of energy sources so that America's greatness can be restored and we can improve our national security, enhance our quality of life and environment and create jobs.

That is our objective. That is our determination, and inventory through leasing, is the key. It is the key to the long-term health of our economy, our national energy planning and indeed, our national security.

- ° Eighty-five percent of America's untapped oil wealth is on publicly owned lands. Two-thirds of that is offshore and much of the new oil is expected to be found off Alaska's coast.
- ° Nearly the entire Outer Continental Shelf -- one billion acres -- will be considered within 5 years compared to only 55 million acres under the Carter Administration's proposal. This does not mean that we will lease, necessarily, any more than we have been in recent years. Rather, and this is crucial, the market and not the Government will decide which tracts are most promising and which merit a priority in terms of scarce U.S. investment dollars.

I would be happy to have a dialogue with you on any of the issues that concern you.

Senator **Weicker**. Before moving to the other members of the committee for any opening statements that they would like to make, I have a statement of the Governor of Florida, Bob Graham, which will be included in the record in its entirety at this point.

The record will also remain open for the statement of any other interested groups, be they governmental or from the citizenry as a whole. That record will remain open for the next 2 weeks to receive such testimony. It will be included in the record in its entirety.

[The prepared statement and additional material submitted by Governor Graham follows:]

STATEMENT OF

GOVERNOR BOB GRAHAM

on behalf of

THE STATE OF FLORIDA

to

SENATE SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

on

THE FIVE-YEAR OCS OIL AND GAS LEASING PLAN

Thank you for providing Florida the opportunity to comment on the five-year Outer Continental Shelf (OCS) Oil and Gas Leasing Schedule recently approved by Secretary of the Interior James Watt. To place Florida's concerns and recommendations in the proper context, a brief history of the State's OCS policy and relationship with the U.S. Department of the Interior (DOI) is given.

I. Florida's OCS Policy

Florida first expressed its support of federal OCS leasing in 1973. The State recognized that finding and developing domestic sources of energy was both necessary and desirable. However, great concern was expressed about the unknown environmental impacts associated with offshore drilling. A framework of control and regulation was determined to be essential if development of OCS resources was to occur without environmental destruction and adverse environmental alteration. The protection of Florida's sensitive and unique marine and coastal resources, so vitally important to the State's economy, has remained the major caveat of our support for OCS leasing, exploration and development. For a more detailed description of Florida's OCS policy, please see Attachment 1.

Florida seeks to balance national energy benefits with potential risks to our environmental and economic resources. Section 18 of the OCS Lands Act Amendments (OCSLAA) requires the preparation of a cost-risk analysis which identifies the known risks and benefits of exploration and production. Unfortunately, much of the data needed for cost-risk analyses has historically been lacking or is limited in its application. Although Florida has coped with past inadequacies, the cost-risk analysis of the new five-year leasing program is troublesome.

Accurate environmental data is an essential component of a cost-risk analysis. Florida recognized that the type of data needed for cost-risk analyses of leasing, exploration, and development in the Eastern Gulf of Mexico and the South Atlantic would require years of research. Therefore, in order to provide some of the information required for Section 18 analysis, we identified the different parameters associated with the varied marine and coastal ecosystems of our State, and recommended the establishment of a minimal scientific program. This program consisted of geological data collection to help define the resource potential, establish sediment types, and identify geohazards; a compilation of literature surveys to determine the need for additional decision making data; the development of predictive circulation models of oil spill projections; the collection of physical oceanographic data to input into the oil spill models; collection of benthic and live bottom resource data; coastal characterization studies; and endangered species studies. Most of these studies requir three years of data collection and one year of synthesis before the data is available for cost-risk analyses.

Because Florida supports the OCS program, the State has never objected to any lease sale, although we have requested that certain sales be delayed. Assurances have always been given by DOI that environmental studies would be in place and completed in time for the "next" lease sale. In the interim, Florida has used lease stipulations and other mitigative measures to compensate for the lack of adequate environmental data available for each sale. To date, geological, cultural and biological lease stipulations have satisfactorily protected our environmental resources from the effects of exploratory drilling. Florida has been hopeful that these lease stipulations could be removed upon completion of the recommended environmental studies. However, because DOI plans to offer areas which have not been adequately studied, Florida will not accept at this time the removal of these stipulations from future sales.

The other essential component of an accurate cost-risk analysis is hydrocarbon resource information. Industry has identified the potential oil and gas bearing physiographic areas off Florida's Gulf and Atlantic coasts. However, only exploratory drilling can indicate the location, extent, and amount of these resources. The State, therefore, has been a strong supporter of rapid exploration. Only when these resources are located and identified will Florida be able to determine the level of OCS development which will occur off our coasts. Support for rapid exploration has been and will continue to depend on proper environmental studies, lease stipulations, and OCS operating orders at the time of the sale.

For several years, Florida has supported procedures which would reduce delays in exploration while ensuring protection of our unique environment. In 1980, Florida submitted to DOI a report indicating how the time interval from call for nominations to exploratory drilling could be reduced by nearly one year. This report is included for your information as Attachment 2. Florida also suggested a method for reducing the size of environmental reports and exploration plans by 150 pages. This suggestion, however, was rejected by DOI. At the present time, we are working with the oil industry in the preparation of area-wide environmental reports, which can be referenced for any exploration drilling proposed in ecologically similar areas of the Eastern Gulf of Mexico. Florida is hopeful this concept will be accepted in the South Atlantic as well.

For nearly a decade, Florida has strongly supported the OCS leasing program. In an attempt to maintain a positive relationship with DOI, Florida has not objected to past sales even though a clear lack of minimal environmental management information existed. We have even encouraged rapid exploration, providing lease stipulations and operating orders were enforced. It is therefore disheartening that so many of the problems we identified remain in the new five-year leasing schedule.

II. Florida's Relationship with the Department of the Interior

With the passage of the OCS Lands Act Amendments (OCSLAA), a process was established whereby states affected by OCS leasing were guaranteed the opportunity to transmit concerns and recommendations to the Secretary of the Interior. Florida, supportive of the new law, had previously recognized the desirability of guiding and commenting on federal OCS leasing decisions. This process aided the development of a strong working relationship with both the New Orleans OCS Office and the Secretary's Office in Washington. The effectiveness of the process, however, was greatly supplemented and enhanced by the two-way communication which characterized the previous national administration. The importance of communication as the basis of a healthy working relationship cannot be over-emphasized.

Florida has taken a positive approach in working with the Federal government on OCS matters. This has been possible because of our communications with DOI, in which our concerns would be objectively evaluated and attempts made to reach mutually satisfactory solutions. This arrangement worked to the benefit of Florida and the federal government. We allowed nine sales to be held even without the adequate minimum environmental data needed to satisfy Section 18 of the OCSLAA. Because of the communication between the OCS regional offices and the State, Florida was assured that lease stipulations and other mitigation measures could protect our environment without delaying lease sales. The regional offices understood the State's concerns and passed them on to the Washington Office where actions were taken to try to reach a mutually agreeable solution.

However, since the present administration has been in office, the lack of DOI response to Florida's concerns on the five-year leasing schedule is making the State reevaluate its OCS policy. Despite Secretary Watt's "good neighbor policy", he is not working in an open, responsive fashion with Florida and other coastal states. Although consultation has occurred at the mandated points in the leasing schedule, consideration of our concerns has not. Unless Secretary Watt's policy changes and he agrees to meaningful discussions on our mutual problems, Florida may be forced to litigate on several sales. We are willing to work with DOI in finding solutions that uphold the spirit of the OCSLAA, but this has to be a two-way street.

III. Florida's Concerns with the Five-Year Leasing Schedule

Florida has repeatedly expressed its concerns about the new five-year leasing schedule to the Department of the Interior (DOI). Please refer to my letters of May 18, 1981, October 20, 1981, April 15, 1982, and August 20, 1982, to Secretary Watt and Florida OCS Representative Murice Rinkel's letter of May 17, 1982, to Assistant Secretary J. Robinson West. These are included for your information as Attachment 3. Murice Rinkel's Statement to House Subcommittee on Oversight and Investigations on the five-year schedule can be found as Attachment 4. Although our concerns focus on the effect the new schedule has on Florida, as you will see many of the problems we see in the schedule's analysis and assumptions are applicable to nearly every OCS region.

- Inappropriate use of a constant cost assumption.

It appears that DOI has used a constant cost assumption for the nation's entire OCS area. It is feasible that a constant cost assumption is applicable in the production areas of the central and western Gulf of Mexico and Southern California. However, it is inappropriate to apply the same cost assumption to frontier areas. Further, it is difficult to establish the cost of deep water activities because the full technology required for exploration and production is still being developed by the oil industry.

- Long-term cumulative effects on renewable resources not considered.

The assumptions used in the analysis of the leasing program fail to recognize that renewable resources, such as fisheries, may be affected by the long-term cumulative effects of OCS activity; DOI has ignored this possibility because data is not available. Florida is not satisfied with an analysis which only considers the effects of individual oil spills on renewable resources.

- Marine productivity inaccurately assessed.

The OCSLAA requires an assessment of marine productivity in the various OCS planning areas. Primary productivity was used as the characteristic for assessing fishery stocks in the cost-risk analysis. However, the primary productivity of marine ecosystems varies by planning area. Despite the 236 million dollars DOI has spent on the environmental studies program, data needed to assess marine productivity has never been acquired.

Thus, the assumptions related to marine productivity are inaccurate.

- Inaccurate assumption that damage to fisheries will not exceed natural variability.

The assumption is made that the potential damage to the fishery stocks by oil and gas development will not exceed the natural variability being experienced by the fishing industry. Because the questions associated with natural variability have been studied for nearly 40 years without reaching definite conclusions, Florida cannot accept the DOI analysis. Data has been collected on a few selected species in particular geographical areas, but to apply this assumption to several different OCS planning areas is unacceptable. Florida is willing to look at the scientific studies DOI can provide to substantiate its finding. However, we believe that these studies do not exist.

- Inappropriate derivation of total net economic value.

The cost-risk analysis assumes that entire OCS regions will be put into production. From this, the entire acreage of each region forms the basis of total net economic value. This is fallacious because history has shown that only 10 percent of the tracts nominated by industry as having hydrocarbon potential are actually purchased. Thus, a smaller acreage leased in each planning area will result in a decrease of DOI's derived total net economic value.

- Increase in sales and acreage will not automatically accelerate exploratory drilling.

Florida does not accept DOI's position that increasing the number of sales and offering more acreage per sale will lead to accelerated exploratory drilling. Any increase in drilling activity by industry will be influenced by economic and production factors. There are not enough available rigs to increase drilling in the frontier areas at the magnitude required by the five-year schedule. Thus, we fail to see how the accelerated schedule will increase exploratory drilling.

o Receipt of fair market value questionable.

Florida is concerned that the federal government will not receive fair market value on the tracts under the new system. The assumption that tracts will receive multiple bids as a result of increased acreage available for leasing industry has not been substantiated by historical leasing in the Eastern Gulf of Mexico. Individual tracts will probably be underbid, resulting in a lower return of revenue to the federal treasury.

o Cost-risk analysis performed on entire OCS rather than by planning area.

Under Section 18 of the OCSLAA, the Secretary is required to make a cost-risk analysis of the five-year leasing program. To make the required comparative analysis among the various oil and gas bearing physiographic regions of the OCS, it is necessary to break the OCS into separate planning areas. But the diversified natural systems and the tremendous disparity in the size of the planning areas makes this analysis rather meaningless. For example, the original proposal to consider the Gulf of Mexico as one planning area ignored the variability of the estimated hydrocarbon resources within the area, the difference in cost associated with shallow and deep water activities, and the presence of at lease four or five major ecosystems.

Considering the Gulf of Mexico as one large area tends to minimize the evaluation of impacts that a particular region, such as the unique, sensitive southwest Florida may experience. This region would be treated as though major damage would not occur in the overall comparison of the Gulf of Mexico. Even though DOI has subdivided the Gulf into three planning areas, each region is still too big to make the appropriate comparisons required under Section 18. The New Orleans OCS Office recognized this problem and broke the Eastern Gulf into six sub-planning areas for discussion as individual entities in the Regional Environmental Impact Statement for Gulf of Mexico lease sales.

o Lack of adequate environmental studies in certain leasing areas.

Florida would not object to the time schedule for leasing if the environmental studies program and the U.S. Geological Survey geophysical studies were phased to ensure adequate data at each appropriate step in the leasing program. Unfortunately, under the newly approved schedule, data will not be available for certain leasing areas in Gulf of Mexico sale 79 south of 26° North latitude or along the continental slopes, the Blake Plateau, and the area south of Jacksonville in lease sale 78. Florida has requested since 1980 that South Atlantic lease sale 78 be delayed until 1985 and has shown DOI how the environmental data needed to make accurate cost-risk analyses is not now available. If DOI does not consider the lack of data below 26° N in the Gulf and 30° N in the South Atlantic when it defines the lease area offerings at Notice of Sale for lease sales 78 and 79, Florida will have to consider litigation to delay the sales.

IV. Florida's Recommendations for Improving the Five-Year Leasing Schedule.

The Department of the Interior could improve the five-year leasing schedule by:

- Increase funding and phase the environmental studies program to the leasing schedule.

The entire OCS environmental studies program has suffered from a lack of adequate funding. The increased acreage offering in the five-year schedule, particularly in areas not presently covered by studies, indicates that additional funding of the program is necessary. DOI contends that the environmental studies program has yielded adequate data to date. Unfortunately this is not so. Often data acquired in the studies program indicated that even more information was needed to accurately understand an ecosystem or phenomenon. The assumptions made in the Section 18 cost-risk analysis also clearly indicate the need for additional funding to acquire essential data. DOI must develop a five-year environmental studies program which is phased to the five-year leasing schedule to ensure availability of data for environmental impact statements and Notice of Sale.

- Revise the Final Supplement to the Final EIS on the five-year leasing program.

The Final Supplement to the Final EIS (FSEIS) on the five-year leasing program should have been released as a "revised" draft supplement EIS (DSEIS) since the original draft did not include most of the information contained in the final supplement. The lack of information in the DSEIS made it difficult for reviewers to provide meaningful comments. NEPA regulations state "If a draft statement is so inadequate as to preclude meaningful analysis, the agency shall prepare and circulate a revised draft of the appropriate portion" (40 CFR 1502.9). Since DOI did not revise the draft, but released instead a FSEIS, we are concerned that DOI violated the spirit of NEPA by not openly requesting review comments, as would have been the case if the FSEIS was a draft.

o Delay South Altantic lease sale 78 until 1985.

Florida has requested several times that South Atlantic lease sale 78 be delayed until 1985. We will continue to request that this sale be delayed, and will litigate if we must to ensure that the sale is held only when the environmental data needed to prepare an accurate cost-risk analysis is available.

o Delete the area south of 26°N from Eastern Gulf of Mexico lease sale 79.

Again, the environmental studies needed to prepare an accurate cost-risk analysis in this area are not available. This area should not be available for leasing until all the essential environmental studies are complete.

o Relate the schedule to the availability of drilling rigs.

As previously stated, Florida does not believe that exploratory drilling in frontier areas will increase with more sales and larger lease offerings. A more realistic assessment of drilling activity could be achieved if the schedule reflected the availability of drilling rigs and economic conditions. Annual review of the schedule, required by the OCSLAA, would enable changes in the economy and rig availability to be easily incorporated into a new schedule.

- Prepare detailed procedures for lease termination.

Under the new streamlined lease process, many concerns that Florida might have previously expressed in the pre-lease stage may only become apparent after a lease has been awarded. For example, deletion of tracts for geohazards is now dependent on information generated after a tract has been purchased. States, industry, and DOI must all understand the conditions, rules, and procedures applicable to terminating a lease. This is especially true for those sites where significant environmental damage could occur from drilling. With the advent of leasing in environmentally sensitive areas, it is imperative that these procedures be clarified promptly.

- Support OCS Revenue Sharing.

DOI has never adequately addressed the way changes in the pre-lease sale process and the leasing schedule will affect state and local governments ability to participate in the OCS leasing program. Under the new schedule, larger areas will be available for leasing. State and local governments may need to provide more extensive comments to ensure consideration of their concerns. The changes in the leasing process come as federal funds are being eliminated for programs such as the Coastal Energy Impact Program which encourages state, regional and local participation in the OCS program. DOI should support OCS revenue sharing unless it wishes lack of knowledge to play a major role in the state responses to the leasing program.

- Improve communication with coastal states.

If DOI would listen to the concerns of coastal states, they would discover that rarely is a state totally opposed to offshore oil and gas activity. Rather, it may be that the state desires that a few selected tracts be deleted from a sale, for reasons such as high biological productivity or proximity to sensitive environmental habitats. We doubt that many states share Mr. Watt's feelings that deleting certain tracts is "too much paperwork". DOI would find that opposition to the five-year program and individual sales would significantly decrease if there were a serious effort to address and attempt to resolve problems with affected coastal states.

Thank you very much for providing the opportunity to comment on the five-year leasing schedule.

STATE OF FLORIDA

OFFICE OF GOVERNOR BOB GRAHAM

MAY 18 1981

Honorable James G. Watt
Secretary of the Interior
Washington, D. C. 20240

Dear Mr. Secretary:

Thank you for your letter of April 13 outlining the draft of the proposed 5-year Outer Continental Shelf (OCS) oil and gas leasing program for 1982 through 1986. You are suggesting significant changes in the existing leasing program adopted in June 1980. The following comments, offered for your consideration, are given in light of your stated "good neighbor policy" for involving the states in OCS decisions.

As you stated, one of the purposes of the draft proposed schedule is to incorporate "streamlined lease preparation procedures allowing shorter lead times to lease offerings and increased size of offerings." The State of Florida has no objection to streamlining the pre-lease sale process and suggests you consider the OCS Advisory Board's subcommittee report on implementation of the 5-year leasing program. The abstract of this report was sent to you as part of my February 19 letter. Your letter does not give details of the proposed changes in the pre-leasing process although the Federal Register notice of April 13 generally discussed these changes. Therefore, I look forward to reviewing, evaluating, and commenting on the streamlining process to be described in the supplemental impact statement.

Besides streamlining the pre-lease sale process, you indicated your proposal will also increase the acreage and number of lease sales. Offering more tracts in each sale, thereby increasing the acreage available for lease by the oil and gas industry, does not guarantee increased exploratory drilling or discovery of greater amounts of oil and gas. However, a substantial increase in acreage may result in the industry exceeding its present drilling capacity. We understand that all available drilling rigs are being used by industry and that the rig shortage may not be alleviated for several years. We encourage you to fully evaluate this problem and the possible ramifications of inflating the number of tracts leased by industry while potentially decreasing federal bonus money if a corresponding increase in construction of rigs is not made by industry. Industry should be encouraged to invest in more drilling rigs if you hope to increase the potential for discovering more domestic oil and gas. We suggest consideration of a policy that relates the increase of tracts to the availability of drilling rigs to ensure the maximum monetary return to the government. The capability of the Bureau of Land Management and the U.S. Geological Survey should also be evaluated to determine their ability to satisfactorily manage the proposed increased leasing activity.

The acceleration of the leasing schedule is intended to be a part of the President's economic recovery program. In general, Florida has no major objections to your proposed 5-year schedule in the Gulf of Mexico as the timing of sales in the Gulf is relatively unchanged. However, we do strongly recommend that you reconsider the proposal to accelerate lease sale 78 (Blake Plateau) in the South Atlantic by six months as the geo-hazard, water currents, and deep biota data will not be available for cost/risk analysis by the proposed sale date. Rather, the sale date should be delayed to 1985 to permit use of this vital information in evaluation of the sale.

Florida is very concerned about proposed OCS leasing south of 26° North latitude in the Gulf of Mexico. I expressed this concern in my February 19 letter to you and in my letters of September 7, 1979, June 11, 1980, and September 17, 1980, to your predecessor. Each of these letters received responses assuring us that adequate studies would be completed in that area before any sale. We have been advised that BLM has been instructed to reduce the cost of its Environmental Studies Program by 25 percent and that all BLM/USGS geological hazard studies have been eliminated. This last study was mutually agreed on by the State of Florida and Department of the Interior as being necessary before leasing south of 26° North. In addition, the geographical scope of the studies does not include the near shore areas nominated by the industry for lease sale 72/74. I trust that you will continue to adequately fund the agreed on studies and restrict lease sales to the geographical limits of the studies. The resulting information from the studies should be available to perform accurate cost/risk analysis in this unique, sensitive, and highly productive fisheries area off the southwest coast of Florida.

STATE OF FLORIDA

OFFICE OF GOVERNOR BOB GRAHAM

OCT 20 1981

Honorable James G. Watt, Secretary
U. S. Department of the Interior
Washington, D. C. 20240

Dear Secretary Watt:

Thank you for your letter of July 24 outlining the proposed five-year Outer Continental Shelf (OCS) oil and gas leasing program for 1982 through 1986. You are suggesting significant changes in the existing leasing program adopted in June 1980. We are aware that the acceleration of the leasing program is part of the President's economic recovery program and is oriented toward reducing our dependence on foreign oil. While supportive of both of these objectives and, even though I have no major objections to the proposed five-year OCS oil and gas lease schedule, I nonetheless have several concerns.

Opening up entire planning areas for sale, for instance, may create two major problems. First, because determination of potential for oil and gas will not be done on a tract by tract basis, the government may not receive adequate monetary return on the lease. Also, offering an entire planning area for lease will probably not speed up exploratory drilling in frontier areas.

Industry indicates that it can increase production of drilling platforms by only ten percent each year. Since you are proposing to increase the acreage offered by a factor of three to four, this ten percent increase will not guarantee that an adequate number of drilling platforms will be available. Additionally, there is a problem with the availability of exploration platforms to be used in the eastern Gulf of Mexico based on the current acreage.

A second major problem is with the environmental studies program. In your proposal, leasing activities will not be area specific but will cover an entire region. The proposed funding for fiscal year 1982-83 will not adequately support environmental studies needed to make sound management decisions. Since the environmental studies program has been oriented to areas and not entire regions, there is presently a severe lack of adequate studies to supply information for decisions in these regions. For this reason, we request not only increased funding for studies to be performed in frontier areas, but also a five-year environmental studies plan to accompany the final five-year OCS lease schedule. This would ensure that these studies are performed in a timely manner.

We continue to oppose the past and proposed scheduling of Lease Sale #73 in the South Atlantic because there will not be adequate data available at draft notice of sale. We again recommend that you delay the sale until 1985.

Your interpretation that there is adequate data in our frontier areas is not supported by your schedule for environmental studies and delivery dates of final products.

The concerns expressed in this letter are based on the State of Florida's policy to support OCS oil and gas development as long as due consideration is given our unique environment and economy. How adequately the environmental studies program supplies management information will have a major influence on our future responses in support of your final five-year schedule.

Thank you for the opportunity to respond to the proposed five-year OCS oil and gas leasing program.

Sincerely,

Governor

BG/cs

FLORIDA INSTITUTE OF OCEANOGRAPHY
830 First Street, South, St. Petersburg, Florida 33701
Telephone (813) 893-9100

STATEMENT

TO

THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

ON THE JULY 1981
5-YEAR OFFSHORE OIL AND GAS LEASING PROGRAM
AND OTHER RELATED OCS PROPOSALS

By

Murice O. Rinkel
June 14, 1982

On Behalf of:

The State of Florida

University of Florida   Florida State University   Florida A. & M. University   University of South Florida   Florida Atlantic University
University of West Florida   University of Central Florida   University of North Florida   Florida International University
University of Miami, Rosenstiel School of Marine and Atmospheric Science   Florida Department of Natural Resources, Bureau of Marine Science and Technology

ATTACHMENT 4

Since 1974 the State of Florida OCS policy has stated that it supports OCS activities off its coastline providing consideration is given to the unique environment of its coastal waters and that all production of oil and gas will be brought ashore by pipeline. The word "environment" in this policy statement is used in its broadest sense and includes not only the oceanographic parameters associated with the water column and the ocean bottom but social economic parameters as well.

Under this policy, therefore, the State must analyze the cost-benefit or cost-risk effects of OCS activities on its unique environment and balance these with the State and National energy considerations. It also must determine whether any mitigating circumstances can be used to protect its environment rather than delay OCS lease sales.

The State realizes that this would be a difficult management decision because of the lack of or limitations in resource estimates, exploration efforts, oceanographic environmental studies, and socioeconomic information. Without such adequate information the State's OCS policy requires a method of communication among the local, county, and federal agencies to describe, discuss, and rationalize each organization's concern on individual OCS matters, if the State's responses to the Department of the Interior (DOI) are to be positive rather than negative in nature. The importance of positive rather than negative communication, therefore, became an important part of the State's OCS policy.

For this reason the State of Florida felt that the Lands Act Amendment of 1978 and the rules and regulations to be developed by DOI for its implementation were very important in establishing this positive communication procedure. The State felt that if the spirit of the law was followed by each of the participants, it would be possible to implement its OCS policy.

In the eyes of the State of Florida the five-year offshore oil and gas leasing program, which was required to be established, reviewed, and reorganized every year, is a long-term planning document for OCS activities in Florida areas. The scheduling of the sales is the key factor in determining the time periods required to collect and analyze decisionmaking information for use in implementing the State's OCS policy.

In reviewing the July 1981 Proposed Five-year Offshore Oil and Gas Leasing Program the State has considered the timing of the sales, the environmental study programs, the exploration activities associated with the sales, and the results of its past communications with DOI to determine their effects on the generation of management information. The adequacy of this information is a critical part of the State's OCS policy decisions. The State would like to discuss the results of this review process with the Subcommittee.

The State of Florida has experiences leasing activities in eight and analyzed nomination patterns for eleven sales. This includes one sale in the Straits of Florida, seven in the Eastern Gulf of Mexico, and three in the South Atlantic. These consist of Lease Sales #43, #56, and #78 in the South Atlantic; Sale #5 in the Straits of Florida; and Sales #32, #41, #65, #66, #69, and #79 in the Eastern Gulf of Mexico. Three of these sales (Sales #69 and #79 in the Eastern

Gulf of Mexico and #78 in the South Atlantic) have not reached the stage of leasing.

In Table I these sales have been listed along with their areas, the year, the number of tracts within the call for nominations area (now called "Call for Information"), the number of tracts offered for sale, the number of tracts leased, the number of environmental reports and exploration plans submitted to the State for review for drilling permits, and the number of wells drilled. Since the planning areas for the lease sales have not been restricted to the OCS lands off the coast of Florida, the figures listed under the column "Call for Nominations" have been adjusted to include only those tracts off Florida or adjacent areas, which the State feels it will be affected by their OCS activities. For the sales in the Gulf of Mexico this area agrees with the region defined as the "Eastern Gulf of Mexico" in the proposed five-year leasing schedule. In the South Atlantic it includes NH Blocks 17-2, 17-3, and 18-1, which are off the coast of Georgia adjacent to Florida.

Under the Eastern Gulf of Mexico definition of the July 1982 five-year leasing schedule, the nomination area would include 11,038 lease tracts. This would include Pensacola west, Pensacola east, Destin Dome, Apalachicola, Gainesville, DeSoto Canyon, Florida Middlegrounds, Tarpon Springs, NG-16-2, Elbow, St. Petersburg, Vernon Basin, Charlotte Harbor, Howell Hook, and Pully Ridge blocks. In the South Atlantic it would include 7,196 tracts consisting of Brunswick, Holt, Harrington, Stetson, Daytona Beach, NH 17-9, Orlando, NY 17-12, and Fort Pierce. Under the "Offered" column the figure to the left of the diagonal line is the number of lease tracts offered within the areas defined above. The figures to the right of the diagonal line represent the total number of lease tracts offered in that particular sale. Under "Leased" are the actual number of tracts leased off Florida for each sale. In the column "ER" are the number of environmental reports and exploration plans, which have been submitted to the State for review as required by the rules and regulations of the Lands Act Amendment. Prior to Sale #41 in 1976 no ER's or EP's were required to be submitted to the states for review although we understand that some type of an environmental assessment was made by the Federal Government on tracts. In the column marked "Drilled" are the actual number of wells drilled off Florida.

The listed sales in Table I have gone through a "Call for Nomination" procedure prior to the development of the July 1981 Proposed Five-Year Leasing Schedule. Based on the Call for Information areas set forth in this new schedule there will be no major increase in acreage offered.

Along the Gulf of Mexico Florida coast the entire OCS area from the Alabama-Florida line down to 25 degrees north has already been offered on the continental shelf, the continental slope, and the deep basins. Between 1947 and 1963 the entire Gulf territorial waters of the State of Florida have been leased; however, industry has return to the State the area from the Alabama-Florida line to Apalachicola Bay and Naples to Dry Tortugas. Eight wells were drilled between 1947 and 1968 with some wells in the Floriday Bay - Keys area testing 50 to 100 barrels a day. These were not put into production because of economical reasons.

An opportunity, therefore, has been available to industry to express its interest in hydrocarbon potential along the Gulf coast of Florida except for a ten-mile area between 25°N and the State waters and between 82°W and the State waters in Florida Bay off the Everglades National Park. At least four of the OCS lease sales depicted in Table I started out as Gulf-wide sales; that is, offering tracts all the way from Brownsville, Texas, down to 26° or 25°N on the Florida coast. Only one of these sales, Lease Sale #41 in 1978, actually ended up as a Gulf-wide sale.

In the Straits of Florida the territorial waters of the State have been leased from Homestead down to the Dry Tortugas but returned to the State. In addition, in Lease Sale #5 the Federal Government offered the area from Key West to the Dry Tortugas on the OCS Continental Shelf. Within these areas a total of six wells have been drilled--three in State waters and three in federal waters. Again industry has had an opportunity to express its interest in both the territorial and federal OCS waters.

In the South Atlantic the areas from the Georgia-Florida border down to Fort Pierce have been in the OCS call areas and now have been extended out across the continental shelf, slope, and onto the Blake Plateau. Except for an area from Cape Canaveral south to Key West, industry has also had an opportunity to express its interests on the OCS lands off the east coast of Florida. Except for the Straits of Florida for which the State of Florida would have strong objections to any leasing, there are no frontier areas off Florida in which industry has not had an opportunity in the past to nominate areas that it considered to have hydrocarbon potential.

A review of these past nomination patternsin the Gulf of Mexico indicated industry has identified at least five oil and gas physiographic basis or areas within the East Gulf of Mexico. These are DeSotó Canyon, Destin Dome, the Big Bend, Fort Myers down to the Keys, and the continental slope and basin area. In the South Atlantic, areas off the Georgia-Florida state line and Cape Canaveral on the shelf, along the continental slope and on the Blake Plateau have been identified.

Since the State of Florida's OCS policy requires cost-benefit and cost-risk analyses to protect its unique environment, it is important to the State that industry has an opportunity in the OCS areas off its coastline to identify the oil and gas bearing physiographic areas. Only with the identification of these areas can adequate analyses be performed. The State has not objected to past extension of the call areas to determine industry's estimates of the potential.

The nomination of these potential areas, however, does not give the actual amount or extent of resources present which is one of the key factors in making our analysis. These can only be determined by exploration drilling. The State, therefore, has always pushed for rapid exploration drilling because only when you identify the resources and their extent can the State determine whether it has a real problem and the actual degree of that problem. Its support for rapid exploration is dependent upon whether proper environmental studies or mitigating circumstances such as operational orders and lease stipulations are in place at the time of the sale. Both the identification of the potential and industry's willingness and ability to provide facilities and support for exploration drilling must be considered by the State as it looks at the timing of the lease sales.

Prior to this proposed five-year schedule the time period between the sales in the Gulf of Mexico have slowly decreased from one every three years to one a

TABLE I

Sale No.	Area	Date	Call for Nominations	Offered	Leased	ER	Wells Drilled
5	S.F.	1959	80	80/80	23	*	3
32	E	1973	5972	91/47	87	*	19
41	G	1976	8996	69/132	4	4	1
43	S.A.	1979	2273	169/225	43	10	6
65	E	1978	8996	89/89	35	12	7**
56	S.A.	1981	3520	125/286	4	0	0
66	E	1981	8996	93/209	20	0	0
67	E	1982	8996	48/225	10	0	0
69	E	1982	8996	98/247	-	-	-
78	S.A.	1983	7196	-	-	-	-
79	E	1983	11038	-	-	-	-
				853/1640	226	26	36

S.F. + Straits of Florida; E = Eastern Gulf of Mexico; S.A. = South Atlantic

G = Gulf of Mexico

* ER & EP were not required to be submitted to the states.

** One well is being drilled at present time; results not completed.

year and in the South Atlantic to one every two years. The proposed new schedule actually maintains the same level in the South Atlantic and decreases to a sale every two years in the Gulf of Mexico.

Assuming that the proposed schedule will have the same overall effect as past sales, the State has analyzed the effects of the time of past sales to determine what, if any, effect it has on the rate of exploration drilling. Although the States does not have nomination information for sales prior to 1978, the total number of nominations by industry seems to range somewhere between 1,500 and 2,500 tracts per sale. There does not seem to be any relationship between the total number of tracts offered in a call area and the number actually nominated by industry within our area.

The State has observed an interesting fact in the nomination patterns which is related to the time schedule of the sales. Once sales decreased to a period of a sale every two years, the nomination pattern showed that individual tracts were being nominated in several sales. This is indicated in Lease Sales #66, #67, #69, and #79. The State of Florida believes that this nomination trend is a reflection on the time factors associated with actual exploration drilling activities. This will be developed later in this document.

Under the existing conditions and the existing drilling platform resources an increase in total number of sales within our area is not a factor in either developing resources for the Federal Government in the terms of revenue to the government or in the actual exploration drilling in a frontier area. This is of considerable concern to the State of Florida because it feel that without expeditious exploration drilling the problems associated with OCS leasing and development are drawn out over a long time period and do not really satisfy the present administration's stated position that it wants to accelerate these drilling activities.

At the March, 1982, Coordinating Subcommittee Meeting of the Outer Continental Shelf Policy Committee DOI stated that the diligency requirements under the OCS Lands Act which had been set at two years for a tract would be extended to four and a half years on a five-year lease and ten years on a ten-year lease. DOI stated that this would allow the oil companies additional time to develop their leases. This statement is a complete contradiction to its policy that by accelerating sales and increasing the call for information areas exploration activites would be increased. This contradiction has never been adequately explained to the State of Florida.

The nomination patterns indicate that when the time between sales decreases as occurred in the Eastern Gulf of Mexico, the percentage of single bids on a tract increases. This figure is now reaching 90 percent in the Eastern Gulf of Mexico as received in Sales #66 and #67. The present administration states that the acceleration in the leasing schedule and the increase in the call for information to include all of the planning areas will allow industry to indicate the potential of the individual tracts by the bidding process. For this to be the case, it would be necessary for at least two to three bids to be received on each tract, and based on the increase in sales within the Eastern Gulf of Mexico, the statistics indicate that multiple bids will not be received for the majority of the tracts offered. This contradiction in philosophy has never been adequately explained to the State of Florida.

The State realizes that there may have been some restriction on the actual tracts offered by BLM in a sale; however, in the communications with BLM it believes that these were not a factor in suppressing industry's identification of the potential areas of hydrocarbon resources. BLM, New Orleans, has made a deliberate attempt to allow the industry to express its opinions on where areas of potential resource are without regard to whether they would actually be offered in a sale.

In past sales, 853 tracts out of a total of 1,640 listed in the Eastern Gulf of Mexico have been offered off Florida. This represents about 50 percent of the offerings of these sales.

In Table I the statistics indicate that of these 853 tracts, 226 have been leased or approximately 26 percent. This figures is historically very close to the percentage of tracts actually purchased in the exploration, development, and production areas in southern California and the western and central Gulf of Mexico areas. The State of Florida, therefore, must assume that these figures would be a normal factor associated in any future accelerated sales as suggested under the present administration's policy.

Twenty-six requests for permits to drill have been received by the State for review in the form of environmental reports and exploration plans. It should be noted that in Sales #5 and #32 no exploration plans or environmental reports are required to be submitted to the states--a clear indication that prior to the enactment of the Lands Act Amendment of 1978 the states really did not have any review process in the activities in the OCS areas.

Table I indicates that of the 226 tracts leased within Florida's area, only 36 wells have been actually drilled or 15 percent. Thirty-two have occurred since 1974 which defines the federal period of accelerated exploration in frontier areas. Four percent of the tracts offered for sale experienced exploration drilling within the frontier areas of our state.

DOI has indicated in briefing and in source documents that since 1974 only 120 exploration wells have been drilled in the OCS frontier areas. This is an average of 17 wells each year with 25 percent drilled off Florida. (See Table I.)

The State has analyzed these Florida drilling activities, and certain pertinent facts present themselves. The first is that whenever identified hydrocarbon potential areas are opened up such as in Lease Sale #32 and the area of Fort Myers to Naples in Lease Sale #65, there were five to six wells drilled in each area. After this first initial drilling, there were continued drilling activities in each of the identified hydrocarbon potential areas of one or two wells. The termination time period of these activities has not as yet been reached in the Florida area. However, historical data from the Newfoundland and North Sea areas indicate that some 40 or so wells have been drilled before the oil companies made finds.

Regardless of the time intervals of the sales, these exploration activities have essentially been related to one or two drilling platforms for each sale with drilling activity extending over three to four years. At no time has the State experienced the use of more than four drilling platforms in any sale. This pattern of drilling exploration is clearly described in the environmental reports and exploration plans.

The question of the number of available rigs in the United States is very confusing based on the statistics that have been presented by API, the offshore petroleum exploration industry, DOI, and the U.S. Coast Guard. The figures range from 260 down to 182 rigs operating in U.S. waters in 1981. Further, the latest summary of OCS oil and gas leasing, an annual report on leasing and production for fiscal year 1981, submitted to Congress indicates that the exploration and production activities have decreased in 1981 from what it was in 1980 because of a shortage of rigs. The Coast Guard, which has a program that requires the operators to inform them 14 days in advance where a drilling rig will be located for safety reasons, states in Federal Register, Vol. 47, No. 43, Thursday, March 4, 1982, on Page 9376, that in 1981 there were 163 mobile U.S. rigs operating in U.S. waters. They also state that 19 foreign rigs were operating in the territorial waters of the USA. These figures indicate that in 1983 182 rigs, not 260, were actually operating in OCS areas. The best estimate that the State has been able to find is that the rigs are increasing in number at approximately 10 to 15 percent a year. If you take this figure, then we can antitipate that there will be 200 rigs in 1982. The State must assume, therefore, that any acceleration of leasing activities in the acreage offers as proposed in this five-year schedule will not result in marked increase in the availability of units. There is going to be a lead-in time for the construction of additional units. If you consider the drilling history in Florida as an indication of what will occur in proposed five-year schedules, probably only 10 to 12 rigs are being utilized in frontier areas (3 - 4 in Florida).

The State had great difficulty in understanding how we are going to accelerate exploration drilling by simply increasing the number of sales and the offered acreage. Any expansion and increased effort will be slow and controlled by economic and production factors--not leasing. The State is not convinced by what has been presented to us to date that there are enough rigs to really increase exploration drilling in the frontier areas at the magnitude required in this new five-year leasing schedule. Without such resources it does not understand how the proposed schedule will, in fact, hasten frontier exploration, which the State would support.

The State of Florida has also examined the 26 ER's and EP's that have been submitted to see what effects they are having on the time period of approval of drilling permits. These are for Lease Sales #41, #43, and #65 and show that the earliest approval of a drilling permit occurred 12 months after the sale and the longest, 57 months. It also shows that most of the drilling permits were issued within two years of the purchase of the tracts. The drilling permitting activities covered a two to three-year period. The State believes these time periods will increase since diligence requirements have been extended from two to four years on five-year leases and to ten years on ten-year leases.

Of the 33 wells approved for drilling since 1974, 32 have been dry and one is in progress. To date, there has been no discovering of production hydrocarbon within our OCS area. The State has no development or production history, and it cannot comment on how the five-year leasing schedule will affect those areas.

Equally important to the definition of the resources is the adquacy of environmental data to be used in the cost-benefit and cost-risk analyses. The review of all of the available non BLM data was presented in a "Summary of Knowledge of the Eastern Gulf of Mexico" in 1973, which covered the area of the Eastern Gulf of Mexico as defined in this new five-year schedule. This report indicated that the kinds of data needed for the analysis under Section 18 of the Lands Act Amendment had not been adequately collected in any existing state, federal or academic environmental programs. This means that studies to generate adequate data would have to come from the OCS environmental study program.

The type and amount of data required under Section 18 has some real management problems. The first of these is that it would require a complete understanding of the ecosystems in the OCS areas since it is possible that oil and gas might affect any portion of any ecosystem. The time frame for collecting that type of data would be 25 to 50 years. If decisions under Section 18 were to be based only on scientific facts, no leasing or drilling should occur within that time frame. The State of Florida accepted this as an unsatisfactory solution to Section 18 requirements.

Therefore, the State looked at the different parameters associated with these ecosystems and attempted to establish a minimal scientific program for OCS data collection which it felt was necessary before exploration drilling should occur in the OCS areas. A number of these parameters will not widely fluctuate over time so a long-term records is not required for statistical verification.

Essentially the State program consisted of the collection of geological data to help define the resource potential, establish the sediment types, and develop geohazard data; a compilation of literature surveys in the various disciplines to determine the extent and need for additional data for management decision processes; the development of predictive circulation models for oil spill projections a minimum of three years of collection of physical oceanographic data including meteorological information to form the basis for input into these models; three years of collection of benthic and/or live bottom resource information; coastal characterization studies; and endangered species as required by federal law. Most of these studies would require a minimum of three years of data collection and a final year of data synthesis before information would be available for the State and Federal Government to make some type of decisions under Section 18.

As an indication of the State's willingness to support OCS activity, it agreed not to object to the sales provided it was assured the requested environmental studies would be in place and completed in time for the next sale.

Since 1973 the philosophy governing the OCS environmental studies have gone through three stages. The first of these was broad base line studies that include major planning areas such as proposed in this five-year schedule. After the first two years of this type of studies, a decision was made to make them more site specific and to relate them only to the areas of the lease tract offering of each individual sale. The third is the new philosophy expressed in this proposed five-year lease schedule as we understand it to a type of the base line studies which are called "reconnaisance" studies wherein data would be collected within these broad planning areas. Now this constant change in philosophy, which seems to run from one administration to another, has resulted in the OCS study programs having no continuity to the collection areas nor production of data needed for the new five-year leasing program.

It has been documented that the past environmental studies have never been capable of producing what we consider the minimum decision making information required by a sale time. The state and federal managers are constantly put into a position of making educated guesses or requesting delay of sales. It has been demonstrated that a minimum of four years must pass before OCS funded environmental studies can produce information required by the Lands Act Amendment or the lease scheduling procedures. In the Gulf of Mexico the area from Tampa to the Alabama-Florida border has finally reached a stage where these minimum data are available in every area except oil spill projectory modeling and the collection of physical oceanographic data for those boundary conditions (seven-year time period). There are inadequate socioeconomic data in that area; however, since that would be primarily used in the development of production stages, it is not critical.

The proposed five-year schedule contains major areas that have not even been considered in any previous studies. There are inadequate data available in certain areas below 26°N which are very highly critical areas as far as the State of Florida is concerned. Sale #78 proposes a whole new area from Jacksonville downward that has had no BLM studies. This area in the past would normally have been dropped out because of defense or NASA requests. However, the present schedule is going to handle this problem by some type of mitigating circumstances.

To sum it up, the State of Florida has allowed eight sales to go forward without adequate minimum environmental data to satisfy Section 18. It has agreed to do this because communication methods were available between the regional offices and the State to ensure that by lease stipulations or mitigating circumstances it could protect its environment without delay of the sales. These communications methods, in the past, have worked reasonably satisfactorily because the State believed that the regional offices understood its concerns and passed them on to the Washington offices where actions were taken to try to correct the deficiences.

The State has overcome the lack of long-term OCS environmental study planning by using the leasing schedules to determine where studies should be performed in its areas based on projected sale dates. It has applied these dates, for instance, to the area south of 26°N. Studies were requested in the FY-79 study program and were actually started in the area in 1980 by DOI which should result in data prior to date of Sale #79. Because those studies were restricted to the site specific philosophy used in the past, the studies do not cover all of the areas proposed for sale in the new five-year leasing schedule. This is not only true in the Gulf of Mexico but applies to selected areas in the South Atlantic off Florida.

If the new administration is not willing to take these limitations into consideration in the Notice of Sale or does not keep clear, direct communication methods open, the State of Florida will have to reevaluate our policy of continuing to cooperate on the lease saleswith these minimum cost-risk and cost-benefit data.

Theoretically, literature reviews and the scoping for EIS's for individual sales should identify areas for OCS studies to produce data for cost-risk and cost-benefit analyses. The results of these studies should appear in the EIS's. The State's examination of EIS's produced for nine of the eleven sales indicates that an abnormal delay is occurring before information generated from the OCS studies appears in the EIS for cost-risk and cost-benefit analyses. The major reason is the length of time it takes to complete the studies and analyze the data. For instance, in the proposed five-year leasing schedule it takes a minimum of at least two to three sales in the Gulf of Mexico before additional data would be available. The production then of any EIS for each sale becomes rather repetitious and should be scheduled on the availability of new information.

As has been stated, the State has used lease stipulations and mitigating circumstances to allow the sales to go on until adequate environmental data are available. The main stipulations used have been the geohazard, cultural, and biological with its monitoring programs. Because of the increasing areas in which inadequate studies have been performed, the biological stipulation cannot be removed from the sales. However, the State in a positive approach is now working with industry and the various branches of DOI to apply the results of the biological surveys and monitoring programs to develop ecologically similar areas. An example of this is the willingness of the State to accept the results of the monitoring program on Block 277 over a large area in the Bid Bend region. It is also working with industry to present to DOI area ER's to speed up the permitting process and reduce the amount of paper work connected with it.

In summary, the State's analysis of past lease sales, EIS's, and exploration activity has developed the following points:

1. Industy has had an opportunity to identify potential hydrocarbon resources in the Call for Nomination (Call for Information) and in the leasing process for all areas in the territorial waters of the State of Florida and OCS lands except for a very small strip before 25°N in the Gulf of Mexico and between Cape Canaveral and Key West in the Straits of Florida.

2. The extent of the call for nomination areas in past sales covers all areas proposed in the five-year leasing schedule.

3. The State of Florida wants to accelerate exploration activities to determine the extent of the problems associated with OCS activities on its unique environment.

4. The time schedule for sale is the same or less in the proposed five-year schedule.

5. There does not seem to be any relationship between the total number of tracts offered in a call area and the number actually nominated by industry.

6. As the number of sales increased, the percentage of single bids increased to approximately 90 percent of the offered area.

7. The number of tracts leased is an average of approximately 26 percent of the number offered.

8. Drilling permits will be requested for only 31 percent of the tracts leased.

9. Only 13 percent of the leased tracts will be drilled .

10. Only 120 exploration wells have been drilled in OCS frontier areas since 1974 or an average of 17 wells each year.

11. Regardless of the time intervals of the sales except for the initial Sale #32 in the Eastern Gulf of Mexico, the exploration activities have been performed by one or two drilling platforms per sale.

12. Permitting activities do not start until one year after the sale and continue for a two to three year period.

13. Based upon the information available to the State only about 182 rigs are drilling in OCS areas; if you consider the drilling history in Florida as an indication of what will happen in the proposed five-year schedule, probably only 10 to 12 rigs will be utilized in frontier areas.

14. The State of Florida questions whether an increase in the number of sales and offering acreage will automatically accelerate exploration drilling.

15. Of the 32 wells drilled in the Florida area there have been no productive finds.

16. Examination of historial and BLM environmental data indicates that there is not enough information available to perform cost-risk or cost-benefit analysis as required under Section 18 of the Lands Act Amendment in our area with data limitation in every one of the factors necessary for that determination.

17. Regardless of the stated missions of other Federal or State agencies, the environmental data necessary for Section 18 will come out of the OCS environmental study program. This program must supply data for cost-risk and cost-benefit analyses.

18. If Section 18 was approached strictly on scientific facts, there would have to be a delay in OCS leasing and drilling for somewhere between 25 and 50 years. The State, therefore, has developed a minimum environmental study program to generate decisionmaking information which it will accept for use under Section 18.

19. These studies and their timing as related to the proposed leasing schedule have been submitted by the State of Florida to the Department of the Interior through its New Orleans and New York offices.

20. Constant changing of the philosophy of the OCS environmental study program by the DOI has caused a data gap in selected areas of the planning regions of the proposed five-year leasing schedule.

21. To remain positive rather than negative in its relationships with DOI on OCS matters, the State of Florida has not objected to past leasing activities because of the lack of minimum environmental management information because it had established communication methods with the New Orleans, New York, and Washington OCS offices in which it felt its concerns would actually be analyzed, acted upon, and, if possible, corrected.

These review points and the various documents and EIS issues of the Five-year Oil and Gas Leasing Schedule submitted to Governor Graham by Secretary Watt form the basis for the nine enclosed responses expressing the State's concerns and problems. An examination of these letters reflect that the opinions and concerns of the State have remained essentially constant throughout the response period. These are:

A. The State of Florida has continuously supported any type of procedures that would reduce the delays in exploration activities and still protect our unique environment. Since 1979 the State has made continuous suggestions to DOI on how to reduce the time interval from the call for nominations to exploration drilling. In 1980 it submitted to the New Orleans OCS Office suggestions that would have reduced this time period by nearly a year. It has been suggesting for a number of years the creation of regional EIS's. It is presently working with industry to come up with area ER's. It is willing to accept the results of monitoring programs for similar ecological areas. Therefore, in general it supports the streamlining process suggested in this five-year leasing schedule.

There are specific problems with what we understand is proposed under streamlining, and that is the Final Supplemental Environmental Impact Statements (FSEIS) does not discuss how the proposed changes in the lease sale process and the leasing schedule will affect local and state governments' ability to participate in the OCS process. The OCS Lands Act, as amended, requires the Federal Government to assure that the state and local governments have an opportunity to participate in the OCS leasing process (43 USC 1802).

The proposed schedule will require the state and local governments to participate in an OCS process with responsibilities at least as great as they have been in the past. The present administration's policies will result in the local and state governments having to respond to these new federal initiatives without the aid of federal money, which has been supplied through the Coastal Energy Impact Program. The State's past experience has been that the fears and concerns of the citizens can be alleviated if they are permitted to participate in the OCS process. A shorter response time coupled with the lack of federal funds to support the State's OCS participation activities will cut down the citizens' ability to participate in the process and will surely result in increased demands for litigation because of a lack of understanding of the problems.

The streamlining process now puts the entire question of possible tract selection into a very short time period after receipt of bids. Further, the administration's obvious belief that federal consistency does not apply to pre-leasing activities means that the tract deletions may occur after purchase of the tracts with accompanying legal constraints of the lease. The State of Florida does not agree with the position that federal consistency does not apply to pre-leasing activities, and it is interesting to note that this is the first time the State felt that it had to go to litigation to solve its concerns with DOI.

Many of the concerns of the State of Florida under the streamlining process would have to be resolved after a legal lease has been written. For instance, deletion of tracts for geohazards are now dependent upon data generated after purchase of the tracts. Without a clear mutual understanding among the State, industry, and DOI on what the rules, regulations, and philosophy will be for non-issuance of a permit, the State can also see the possibility of litigation. For a long time the State has been requesting that detailed rules and regulations for termination of production because environmental damage be set down in greater detail and thoroughly discussed. The present administration's philosophy seems to be that the State need not worry--that it will take care of us. This is a very difficult philosophy to believe or sell to the local governments and the public.

B. In the State's opinion, the diversified natural systems and the tremendous disparity in the size of the planning areas of the five-year schedule make the cost-risk and cost-benefit analyses required under Section 18(a)(2) of the OCS Lands Act Amendment rather meaningless. The lack of adequate data for these comparisons and the lack of coupling of the OCS environmental study program to the time schedules of the sales will surely lead to litigation. Lacking data, it has been necessary to make a series of assumptions under Section 18 in the FSEIS. Unless DOI convinces the State that these assumptions are being made within the spirit of the law, the State must reevaluate its past positive approach of not delaying lease sales. If the State did not believe that within the regional EIS conception it was possible to look at discrete oil and gas ecosystem areas and apply cost-benefit and cost-risk analyses to them in a meaningful manner as required under the Lands Act Amendment, it would probably have inticiated litigation similar to California. Our future actions are going to depend a great deal upon whether we feel that the administration is sincerely trying to work within the spirit of the law and is considering our concerns.

C. The State has no strong objection to any time schedule for a five-year leasing schedule providing the OCS environmental study program and the USGS geophysical studies are adequately funded and phased to ensure appropriate data for each step in the leasing process. Under the administration's proposed schedules, these data will not be available for certain leasing areas south of 26°N in the Gulf of Mexico in Lease Sale #79 or along the continental slopes, the Blake Plateau, and the area south of Jacksonville in Lease Sale #78. The State expressed this concern to DOI, which responded in the FSEIS that adequate information will be available by the time of the EIS's. In the State's reply of May 17, 1982, it used existing OCS information and briefings to show that the data will not be available in time. If DOI does not take into consideration the lack of these data in its definition of the area of offerings at Notice of Sale in Lease Sales #78 and #79, the State must consider litigation action.

D. The entire OCS environmental study program has suffered from a lack of adequate funding and the increased offering of acreage in the five-year schedule particularly in areas not presently covered by studies has resulted in another request by the State for additional funds. The administration's position is that 236 million has been spent on studies and there are adequate data. The State believes the assumptions the administration has had to make in Section 18 of the FSEIS and the continuing litigation actions are a clear indication of the need for additional funds and development of a five-year environmental study program geared to the time intervals of the five-year leasing schedule to ensure availability of information for the EIS and Notice of Sale.

E. The State does not believe that exploration activity in frontier areas related to timing of the sales and the number of offered tracts. Rather, it feels the schedule should be related in a realistic manner to the availability of the rigs.

F. Florida is concerned that the tracts leased under the proposed schedule will result in a fair market value. The assumption by the administration that by increasing the acreage industry will establish the value by multiple bids is not borne out by history in our area.

Under this new administration the State has been receiving communications in regard to leasing hard mining rights on OCS lands. Nowhere in the proposed five-year oil and gas leasing schedule is there an indication of the schedule for these mining activites.

The State would assume this mining program would be separate with a well defined schedule and considerable consultation and discussion between the affected states and DOI before leasing.

In April of 1982 the State was informed that the administration is considering mining sales in Alaska and the South Atlantic. The South Atlantic Regional Technical Working Group (RTWG) was informed by the New York OCS Office that DOI was planning to issue an EIS in the fall or winter of 1982 and hold a sale in the summer or apring of 1983.

As the State of Florida sees it, the problems that will be associated with mining of mineral resources in the OCS areas are staggering! With mining sales we are talking about lease areas of 150 to 200 miles long and 50 to 60 miles wide in which decision for production will have been reached before leasing. Further, this production and activity will continue within the lease area over a long period of time with possible major impacts at both the surface and the bottom of such greater magnitude than those experienced in OCS activities that the environmental study requirements for decisionmaking information cannot be delayed until after a sale such as agreed to in past oil and gas OCS activities. We are talking about large areas with possible long-term potential contaminants for which there have been no previous environmental background data collected except for one study in the North Pacific.

The State feels that a different environmental study philosophy for mining would have to be applied to ensure reasonable management decisions at time of sale. The schedule proposed in the South Atlantic is totally unrealistic. Secretary Watt's assumption that the State would agree to this kind of sale indicates an almost complete lack of understanding of the factors that must be considered in the cost-benefit and cost-risk analyses required under Section 18 of the Lands Act Amendment. We have submitted to your committee the Subcommittee Report of the South Atlantic RTWG which discusses in detail the problems that must be faced from a management viewpoint in these types of sales. The concern of the State of Florida is so strong in this matter that it believes environmental studies should be started immediately or an agreement reached that no scheduling will occur until a minimum of five years of environmental studies are funded and the results are in place. The State considers the mining of OCS lands to be a much more critical problem than anything associated with oil and gas exploration and production.

The State has taken a positive approach in its dealing with the Federal Government on OCS activities. This has been possible, as we have stated, because we thought we had a communication system in place in which our concerns would truly be evaluated by DOI and we could mutually agree on satisfactory solutions to them. Since the present administration has been in office, despite its continuous reference to the good neighbor policy, its lack of response to the State of Florida's concerns in this five-year leasing schedule is making the State reevaluate its OCS policy. It is just impossible to believe that considerations are being given to our concerns when within a week of the time we submit comments decisions have been made by DOI, and they do not seem in most cases to answer with supporting documentation the rationale for its decision in regard to our concerns. Unless this policy changes and we can have meaningful discussions on our mutual problems, the State will have to look at the question of litigation on several sales. It is willing to work in finding solutions to uphold the spirit of the Lands Act Amendment, but this has to be a two-way street.

THE DEVELOPMENT OF THE STATE OF FLORIDA'S OUTER CONTINENTAL SHELF POLICY

EXECUTIVE OFFICE OF THE GOVERNOR
Office of Planning and Budgeting

by

Elizabeth A. Hodecker

STATE OF FLORIDA
Office of the Governor
THE CAPITOL
TALLAHASSEE 32301

BOB GRAHAM
GOVERNOR

January 2, 1980

Mr. L. Garry Smith
Chief of Staff
Executive Office of the Governor
The Capitol
Tallahassee, Florida 32301

Dear ~~Mr. Smith~~: Garry

Transmitted herewith is a report entitled "The Development of the State of Florida's Outer Continental Shelf Policy." Prepared at the request of Governor Graham's Policy Council, the report traces the State's responses to federal leasing actions on the Outer Continental Shelf (OCS) as they affect Florida from 1973 to the present. The author of the report is Ms. Elizabeth Hodecker, an analyst in the Governor's Office of Planning and Budgeting. Assistance in the preparation of the report was received from Mr. Ken Woodburn and Mr. Walt Kolb.

The report should prove useful to a number of people for a variety of reasons. It will enable those persons who are involved in the OCS decision-making process, including members of the OCS Advisory Committee, to make decisions which are consistent with the State's policy. The report also will serve as an excellent educational tool for explaining how the State's policy evolved from the initial position of 1973 to the comprehensive, yet flexible one of today. Those persons with an interest in the resource management issues of Florida should also find this to be an informative report.

If you have any questions regarding this report, please do not hesitate to contact Ms. Hodecker at 488-5551.

Sincerely,

Tom Herndon

John T. Herndon
Director
Office of Planning and Budgeting

JTH/wkw

Enclosure

An Affirmative Action/Equal Opportunity Employer

EXECUTIVE SUMMARY

In 1973, the State of Florida responded to the initiatives of the federal government regarding the leasing of the Eastern Gulf of Mexico for oil and gas exploration. The national need for additional sources of energy was recognized by the State. However, the necessity of protecting the natural coastal resources of the State was also recognized. Primarily because of the unknown environmental impacts associated with oil and gas exploration, the State requested that stringent regulations and controls be placed on any OCS activity occurring off the Florida coast. The main concern expressed at the time was that environmental destruction or substantial negative environmental alteration should not be the price of OCS exploration.

By 1975, an increased concern was expressed for the prevention of damage to the State's economy, which could occur as a result of environmental degradation. Firm support for the OCS program in general, and Florida's role in the program specifically, was given at that time. However, a major caveat accompanying that support was that the environmental and economic resources of the State be protected.

Also in 1975, the State indicated that all transportation of oil in the production phase of OCS activity should be by pipeline. It was recommended that this provision be attached to lease sales in the form of a lease stipulation.

The support of the OCS program, expressed by the State in 1975, continued through 1977. However, at that time, the State requested that the OCS program be coordinated in such a manner that the affected states, such as Florida, be made an integral part of the planning policy of the federal OCS development program.

In the Florida State Comprehensive Plan, adopted in 1978 by Governor Askew's Executive Order, three policies specifically addressed offshore oil and gas development. One encouraged ecologically sound offshore petroleum and natural gas exploration and development. A second policy sought to increase the effectiveness of state and local regulation in making decisions relating to oil and deepwater port developments. The third called for increased monitoring and regulation of offshore mineral exploration, extraction, and transportation. In addition to the inclusion of these three policies in the State Comprehensive Plan, the State of Florida began calling for more economic and environmental studies to be conducted in leasing areas before actual exploration. Whereas in 1973 concern had been expressed for protection of the State's environmental resources, in 1978 the State was calling for detailed environmental studies so that the potential impacts of development could be more accurately identified and mitigated.

Along with the request for environmental studies, other aspects of the OCS program which impact both offshore and onshore areas began receiving more attention. These are listed in the body of this text. It is apparent that an increasing sophistication in the State's responses to the federal government was developing by this time.

In 1979, the need for economic and environmental studies in the area south of 26°N latitude off the west coast of Florida was identified. The importance of securing baseline data in this extremely sensitive area was again emphasized in 1980 by Governor Graham. This issue continues to be the main focal point of controversy between the State of Florida and the federal government at this time.

INTRODUCTION

This report traces the development of the State of Florida's position on Outer Continental Shelf (OCS) matters. The first OCS issue to concern Florida occurred in 1973. Since that time, the State has responded to a number of OCS projects that affect the Gulf and Atlantic coasts of Florida, as well as to those projects which are regional in scope. Upon review of the documentation, which is listed in Appendix A, it is apparent that an evolution in the State's approach to OCS issues has occurred through the years. The State has maintained a basic OCS position which is flexible and amenable to modification, in light of the individual circumstances of each OCS leasing action. The original position held by the State, the transitions it has since undergone, and the present position held by the State, will be more fully discussed in the remainder of this paper.

1973

The first documented response to proposed OCS activity in the State of Florida was made in the latter half of 1973. A draft environmental impact statement (DEIS) entitled Proposed 1973 Outer Continental Shelf Oil and Gas General Lease Sale Offshore Mississippi, Alabama, and Florida OCS Lease Sale No. 32 was submitted for review. Among the comments solicited from state officials were those of Bruce Johnson of the Coastal Coordinating Council. In a sixteen-page interoffice memorandum to James Smith, of the Florida Department of Natural Resources, Johnson summarized the general feelings and philosophy of the Council on the OCS subject. No reference to specific State policy was made in the memorandum, although many of the comments and recommendations included in the memo were later found in State position statements. The Coastal Coordinating Council felt that:

> "The probable eventual development of the Florida OCS reserves must be accomplished only within a rigid framework of control and regulation, to guarantee that this development is not made at the expense of major environmental destruction or substantial negative environmental alteration. Such development, within a rigidly controlled regulatory structure, appears possible. With such control and additional appropriate safeguards, the development of this major petroleum and natural gas reserve, in light of the present and continuing energy crisis, is both necessary and desirable."[1]

In addition:

> "Studies to provide comprehensive environmental evaluation of each area should be completed and evaluated prior to any actual petroleum effort offshore. A program of continual monitoring and policing is required during all phases of field development, and throughout the producing period of the field."[2]

Many of the recommendations made by Mr. Johnson and the Council are the same as those found in the most recent position statements offered by the State. The similarity will be evident in a later section of this paper.

In response to the same DEIS for lease sale No. 32, then Attorney General Robert Shevin offered some very specific and very different recommendations. The primary recommendation of the Attorney General was that the Department of the Interior should not authorize the lease sale of federal submerged lands for offshore drilling. At the very least, the lease sale should be delayed until further information was developed. As Mr. Shevin felt very strongly that the leasing of land was a foregone conclusion, he recommended that the Bureau of Land Management delete the high risk tracts, as identified in the EIS, from the proposed lease sale. In addition, a recommendation was given that environmental impact statements be prepared for each leased tract, as adequate environmental assessments could only be made when the exact location of the drilling site was known.

The Attorney General included two more recommendations in his statement concerning the proposed oil and gas lease sale. The first insisted on the inclusion of strict lease stipulations for each tract. The stipulations called for the mandatory cancellation of any lease for any oil spill or blow-out associated with a particular drilling operation. Minimum volumes for each oil spill were not stated in the recommendation. In addition, absolute liability for damage of the productivity of the Gulf of Mexico and the recreation and commercial interests of the coast were also called for. This is the first mention of attaching stipulations to a lease sale in order to achieve or meet certain criteria, although the popularity and use of lease stipulations would continue to increase in the future.

The last concern of the Attorney General involved the onshore impacts, such as pipelines, refineries, and other facilities, that are often associated with offshore development. It was recommended that before offshore oil drilling was approved, tough restrictions be placed on onshore development. It was recognized at this time that potential environmental hazards of onshore development are greater than those of offshore development. This feeling has since been echoed by a number of knowledgeable professionals in the field.[3]

Although Attorney General Shevin proffered a number of recommendations to the general oil and gas lease sale 32 of 1973, they never were presented in the form of a unified State policy. They did, however, form a solid basis from which future positions could be made.

On August 21, 1973, Governor Askew addressed officials of the U.S. Department of the Interior (DOI) at a public hearing concerning lease sale 32. The Governor's comments centered primarily on offshore drilling issues in general, with specific reference made to the potential impacts of OCS development on Florida's environment. The responsibility of the State of Florida in helping to solve the nation's energy problems was recognized by Askew. However, the importance of considering the timing of offshore oil development was emphasized. Governor Askew stated that there are known risks associated with offshore drilling. "And the environmental impact statement cites unknowns that need further study. All of which raises this question: Would it be prudent to delay the leases until such time as we can minimize some of these risks and develop some of these answers?"[4]

The Governor also echoed Attorney General Shevin in his statement that if the Department of the Interior decided to permit oil drilling off the Florida coast, then it must impose stringent regulations and effective penalities for every aspect of operation and transportation.

This had to be accompanied by continuing inspection, proper monitoring, and sufficient personnel to do the job.

Concluding his speech, Askew asked DOI officials to remember Florida's environmental concerns for its vast coastline and the important role it plays in the State's economy.

Shortly thereafter, the State of Florida issued a position statement in regards to the DEIS for lease sale 32. This statement, based on the comments of a number of state agencies, identified many issues of concern to the State, as identified below. The format of this position statement set the stage for future lease sale comments and reviews. Although the position of the State was apparent in the statement from L.K. Ireland, Jr., Secretary of the Florida Department of Administration, to George Turcott of the Bureau of Land Management, no reference to a formal State policy was made at this point in time.

Although it may seem laborious to detail the responses of various individuals and agencies to the general lease sale 32, it is important that a lot of attention be focused here. The importance of lease sale 32 is that this was the first case of potential offshore oil drilling off of Florida's coast. The concerns of the State had never been voiced. And although no official policy was declared at this time, the position held by the State was finalized and announced to Washington, D.C.

In brief, the position on lease sale 32, as held by the State of Florida, was that while Florida was cognizant of the national need for additional energy sources, it also was considerate of its own well-being. For reasons not central to this report, lease sale 32 was not endorsed at the time. General objections voiced by the State included an aversion to the commitment of large amounts of estuarine and coastal resources to oil and gas production support facilities and activities. Opposition to the project was assured if environmental studies indicated that serious long-term degradation of the Gulf or coastal zone would occur from the disposal of mud or other drilling waste materials. It was felt that stringent regulations needed to be placed on all operational and transportation activities, along with effective penalties for violations. In addition, the lease stipulations supported by Attorney General Shevin were also to be attached to future operations.

The State of Florida was moving very cautiously at this time, but with good reason. There were "too many unknowns relating to possible effects on Florida's natural environment and its economy to act hurriedly without adequate knowledge."[5] This cautious attitude would be the prevailing attitude for a few more years to come.

1975

The position held by the State of Florida, in regards to OCS development, is best seen in the statements issued either as State comments or in the letters written from the Governor to the Secretary of the Interior. To avoid excessive repetition and detail, only those points which had not yet been expressed, or which indicate a change in position, will be described here. This is emphasized primarily because of the large number of State responses to lease sales in this region over the last seven years.

Oral testimony given in 1975 by Dr. James Jones, the first State of Florida OCS representative to the OCS National Advisory Board, regarding lease sale 41, indicated a new concern for the economic resources of the State. As stated by Dr. Jones:

> "Florida has no desire to hinder the thoughtful and deliberate development of offshore energy resources, within a context of strict environmental and other safeguards, including adequate federal guarantees for reimbursement for unexpected or unpreventable environmental, social or economic dislocations and damages. Florida stands willing to accept her full share and burden of energy resource development necessary for continuing national prosperity and defense. To do less is unthinkable, but such development must not be achieved through environmental or other costs to Florida which could cripple her economy and significantly degrade the quality of life for her citizens."[6]

In addition to the oral testimony, a technical review of the DEIS of lease sale 41 was prepared. The review, also written by Dr. Jones, became the basis of the official response by R.G. Whittle, Jr., Director of the Division of State Planning. Dr. Jones recommended the consideration of a number of lease stipulations in the final lease sale. Those stipulations that could be regarded as representative of a statewide position were concerned primarily with the transport of oil from the offshore rig to an onshore facility. The review called for a clear prohibition of barging or transporting of oil by transfer from the production area to shore. Instead, all oil transportation in the production phase should be by pipeline. Pipelines, however, should not be laid in areas where resuspension of toxic sediments may present environmental hazards. To guard against this, the review recommended that all pipeline corridors be stipulated for the sale.

Although a number of thoughtful and rational stipulations were included in the review, they were general recommendations only. No specific wording accompanied the recommendations, and no reference was made to any State policy.

1977

The next official State position statement was issued in the beginning of 1977. In response to lease sale 43, the State maintained the same position as that declared in lease sale 41. One additional criterion, however, was attached to the declaration of support for OCS development. This was that the OCS development program be "administered in a responsible manner and properly coordinated, commencing with the initial planning phases, with the affected states...As an affected state, we (the State of Florida) again request more involvement in the OCS program;...we want to be an integral part of the planning policy of this development, commencing with the initial stages of same."[7]

Florida also attached a further requirement. Its position at this time (1977), relative to the OCS leasing program, was that comprehensive development plans for the OCS be prepared, but only in the context of a National Energy Plan. This plan would be finalized by the federal government, in collaboration with those coastal states affected by the OCS program, during the continuation of lease sales and the exploratory phases of the program, but prior to any commencement of actual production. However, the inability of the federal government to adopt a national energy policy or plan precluded the realization of this requirement.

1978

The first actual declaration of the State's OCS policy can be found in a letter written from Governor Askew to Cecil Andrus, Secretary of the Interior. The letter, dated February 7, 1978, states:

> "It has been the policy of the State of Florida to support exploration and development of the Outer Continental Shelf. This support has been evident in OCS operations in the MAFLA area. We support similar operations in the South Atlantic area. This support, however, has stipulations that due consideration be given to the effects of OCS operations on the environmental and natural resources, both offshore and onshore."[8]

Although this policy was not yet formulated through a formalized process, it represents the position that has guided the State of Florida in its OCS responses since 1973.

On August 28, 1978, the Florida State Comprehensive Plan was issued and approved by Governor Askew. A number of policies in the plan generally related to the OCS program. Three, however, specifically addressed offshore oil and gas development. The policies:

> " - Encourage ecologically sound onshore and offshore exploration and development of Florida's petroleum and natural gas resources.
>
> Seek to increase the effectiveness of state and local regulation in making decisions concerning offshore oil and deepwater port developments.
>
> Encourage increased monitoring and more stringent regulation of offshore mineral exploration, extraction, and transportation activities."[9]

The Florida State Comprehensive Plan became effective State policy upon its approval.

Accompanying the commitment of the State to its OCS policy was the movement to ensure that adequate environmental studies were performed in the lease area prior to actual exploration of the resources. Although this concept was first introduced in 1973, it was not until 1978, in response to lease sale 65, that the State began emphasizing the importance of these studies. In a letter dated August 29, 1978 to Secretary Andrus concerning lease sale 65, Governor Askew stated:

> "There are three areas that certain site specific environmental studies must be made to ensure that we understand what effect

> the OCS operations is having on the environment...We have repeatedly asked for assurances that if any exploratory or production operations occur within these areas that special studies be performed wherein potential damages might occur. We have not requested that such studies be performed on every exploratory and production platform but only on one or two within each area. We have requested that regional work groups be established to assure that specific studies would be forthcoming."10

This was the first case in which the State clearly expressed its desire for the preparation of specific environmental studies in the leasing area. This demand has since been applied to all subsequent lease sales proposed off the Florida coast. The application of this request indicated that Florida was beginning to be more specific and demanding in terms of what it expected from the federal government. In return, the State would support the OCS program with greater emphasis.

In yet another letter from Governor Askew to Secretary Andrus, sent on December 1, 1978, the Governor restated the policy of the State of Florida in regard to the OCS program. He also identified several aspects of the OCS development process which impact both offshore and onshore areas. Although not written in a way as to include these in the State policy, it is obvious that the following provisions were considered important and warranted further consideration.

" - Through the OCS leasing program, provisions should be made to the extent possible for oil companies to share common facilities such as pipelines, tank farms, and staging areas...

- Encouragement should be given to locate on inland sites those OCS facilities that are not water-dependent.

- A cooperative federal-state and industry program should establish pipeline corridors. Corridors should be selected that avoid important resources and minimize negative impacts. Other related facilities should avoid adverse impact on sensitive coastal areas and economic values.

- Shipping lanes and fairways in the Atlantic Ocean, Florida Straits, and Gulf of Mexico which serve the ports of Florida must be kept free and clear of all hazards to navigation.

- To the maximum extent possible, onshore support facilities should utilize existing ports...

- Some portion of the oil companies' exploration onshore support facilities should be located in Florida. This would ensure some economic benefit to compensate for the environmental risk involved in offshore drilling."[11]

The same letter also identified the order in which the leasing of tracts for oil exploration should occur. It was recommended that the South Atlantic be leased first, as it was designated a high priority area by the oil companies. Following this, the Eastern Gulf of Mexico received a moderately high priority ranking. In particular, the Destin Dome area was recommended for further exploration. It was suggested that activities in the Blake Plateau area be postponed until the environmental studies previously requested were completed. Lastly, Governor Askew recommended the removal of the Florida Straits and Florida Bay area from further leasing at that time. Leasing for oil and gas exploration should only be considered at a future date upon completion of detailed studies and with close State consultation.

1979

With the State's response to lease sale 62, a new lease stipulation was requested for attachment to the lease sale. For the first time, an awareness of the existence of hard/live bottoms was noted. In a letter written by Murice Rinkel, the State of Florida OCS representative, dated March 20, 1979, a reaffirmation of State policy was given, along with a request that a hard/live bottom survey be conducted of the leasing area. Again, this new form of lease stipulation indicated the increasing concern for the minimization of damage to the offshore environment.

Both state and federal OCS activity accelerated in 1979 with the preparation of a national five-year oil and gas leasing program. In the letter submitted by Governor Graham to Secretary Andrus, dated September 7, 1979, the State's OCS policy was restated. Again, the importance and necessity of funding, processing, and performing environmental studies in the proposed leasing areas was stressed. One such area in which the need for environmental studies was identified for the first time was the part of the western Florida continental shelf south of the 26°N latitude. This area, designated at the time as a very possible leasing site by the Department of the Interior, was below the southern limit of OCS activity. As emphasized in Governor Graham's letter:

> "Because of the extremely sensitive environmental conditions of this area (the Keys and their corals), the water transportation system, and the presence of major commercial and sport fisheries, we would have to object to any leasing south of 26°N until completion of at least three years of environmental studies in Florida Bay. No such studies are presently proposed in FY 1979, 1980, or 1981 Environmental Study Programs. Yet based on what has happened in the South Atlantic and Blake Plateau lease areas, tracts in the areas could be up for sale during your proposed 5-year schedule."[12]

The need for extensive environmental studies in this area is clear. The State has recognized that need, and has strongly supported a position that ensures these studies are commenced at the earliest possible date. This issue, however, has not been resolved. Much of the present efforts of the Governor's OCS staff are directed to the resolution of this issue, because the acquisition of baseline data is necessary to enable wise decision making on the part of all agencies involved in the OCS program.

1980

Further reference to the south of 26°N latitude issue was made in the June 11, 1980 letter from Governor Graham to Secretary Andrus. The importance of securing environmental baseline data in the area south of 26°N was again emphasized, this time with more force than the Governor's previous letter.

> "The 'Proposed Final Oil and Gas OCS Leasing Sale Schedule, March, 1980' identifies eleven sales in the Gulf of Mexico over the next five years. This accelerated leasing activity in the Gulf is welcomed; however, we are concerned that leasing activities may commence south of 26 degrees north latitude prior to the completion of the appropriate economic, environmental, and social studies. We strongly believe that these studies should be undertaken immediately so that there may be the shortest delay in the lease sales program. We understand that certain federal regulations normally preclude the commencement of studies prior to the Call for Nominations but urge that some means be found to accommodate for the special circumstances surrounding exploration in this particular area."[13]

In response, Secretary Andrus notified the Governor of five studies that have been or will be initiated by the Bureau of Land Management during 1980. In his letter of July 10, Andrus stated that he shared the State of Florida's "interest in assuring that adequate information is available for sound decision making."[14] He also informed Governor Graham that the area off of Florida's west coast between 25° and 26° North latitude would be included in the Call for Nominations of either lease sale 72 or 74. According to Andrus, "By limiting the area to north of 25 degrees north latitude, I believe we will be consistent with our potential information base and avoid approaching areas further south."[15]

The most recent communication between the two parties occurred in the September 17 letter of Governor Graham to Secretary Andrus. Again, Graham emphasized the State of Florida's concern that necessary plans and studies be developed to avoid unnecessary controversy and conflict in the southwest Florida area.

CONCLUSION

The State of Florida's attitude towards OCS activities has evolved from the basically cautious and general stance of 1973 to the specific, more technical one of today. At the onset of the OCS program, the State generally supported the OCS development program, provided serious consideration and protection of the marine and coastal environment was afforded. Since the initial OCS lease sale environmental impact statement of 1973, the State has had more opportunities to refine and amend its position to suit the particular circumstances of the lease sales.

The initial position held by the State in 1973 still serves as the cornerstone of what is today considered Florida's OCS policy. The main emphasis that has emerged in the past years, which really contributes to the uniqueness of the Florida OCS strategy, is the importance of securing comprehensive baseline environmental data in the leasing areas. The priority of this concept is evident when considering the south of 26°N issue. It can also be witnessed in the application of lease stipulations to various lease sales. The State wants to ensure the protection of our marine and coastal resources, as these in turn determine, to a large extent, the health of the State's economy. However, because Florida is a frontier area in terms of OCS development, and because there are many areas where comprehensive environmental data is lacking, it is often difficult to assess the potential impacts of OCS activity on the environmental resources. It is for this reason so much emphasis is currently being placed on the acquisition of this data.

The State's position is a flexible one. This is due in part from its broad scope (which becomes more narrowly defined with the attachment of stipulations to the lease sales). Although the policy has not been authorized through legislative channels, the basic position has been made effective through the State Comprehensive Plan. The policy has become more specific in relation to particular leasing actions through the use of stipulations and the Governor's communications. Again, in conclusion, the basic policy recognizes the State of Florida's support of Outer Continental Shelf oil and gas development, as long as measures are taken to protect Florida's environmental and economic resources.

FOOTNOTES

[1] Bruce Johnson, Interoffice Memorandum to James Smith (7 August 1973), p. 3.

[2] Ibid., p. 7.

[3] Dr. Robert Smith, Personal Communication to Elizabeth Hodecker (14 August 1980).
Dr. James Jones, Personal Communication to Elizabeth Hodecker (15 August 1980).

[4] Reubin O'D. Askew, Governor of Florida, Remarks before Officials of the U.S. Department of the Interior on Proposal for Offshore Oil Drilling (Tallahassee, Florida, 21 August 1973), p. 3.

[5] L.K. Ireland, Jr., Letter to George L. Turcott (7 September 1973), p. 3.

[6] Dr. James I. Jones, Oral Testimony for Draft Environmental Impact Statement for OCS Lease Sale No. 41 (23 September 1975), p. 3.

[7] Dr. Robert E. Smith, Testimony of the State of Florida regarding Proposed South Atlantic OCS Oil and Gas Lease Sale No. 43 (29 March 1977), pp. 1-5.

[8] Governor Reubin O'D. Askew, Letter to Secretary Andrus (7 February 1978), p. 1.

[9] Governor Reubin O'D. Askew, The Florida State Comprehensive Plan (1978), pp. 51 and 116.

[10] Governor Reubin O'D. Askew, Letter to Secretary Andrus (29 August 1978), p. 1.

[11] Governor Reubin O'D. Askew, Letter to Secretary Andrus (1 December 1978), pp. 1-2.

[12] Governor Bob Graham, Letter to Secretary Andrus (7 September 1979), p. 3.

[13] Governor Bob Graham, Letter to Secretary Andrus (11 June 1980), p. 1.

[14] Secretary Andrus, Letter to Governor Bob Graham (10 July 1980), p. 2.

[15] Ibid., p. 1.

APPENDIX A

The following are the reports, reviews, letters, and memorandums from which the development of the State of Florida OCS policy was traced. All are on file in the Governor's Office of Planning and Budgeting and are available for review.

Interoffice Memorandum from Bruce Johnson to James Smith (7 August 1973).

Statement of Robert L. Shevin, Attorney General of Florida (1973).

Remarks of Reubin O'D. Askew, Governor of Florida, at Public Hearing before Officials of the U.S. Department of the Interior on Proposal for Offshore Oil Drilling (Tallassee, Florida, 21 August 1973).

Letter from L.K. Ireland, Jr. to George L. Turcott (7 September 1973).

Oral Testimony for Draft Environmental Impact Statement of OCS Lease Sale No. 41, Dr. James I. Jones (23 September 1975).

Technical Review - DEIS/OCS Sale No. 41, Dr. James I. Jones (1975).

Testimony of the State of Florida on Proposed South Atlantic OCS Oil and Gas Lease Sale No. 43, Dr. Robert E. Smith (29 March 1977).

Letter from Alan D. Powers to Murice Rinkel (11 October 1977).

Letter from Governor Askew to Secretary Andrus (7 February 1978).

Letter from R.G. Whittle, Jr. to John L. Rankin (23 March 1978).

Letter from Secretary Andrus to Governor Askew (12 April 1978).

Letter from Governor Askew to Congressman Sidney Yates (10 May 1978).

Letter from Secretary Andrus to Governor Askew (1 August 1978).

Letter from Governor Askew to Secretary Andrus (29 August 1978).

Statement at Public Hearing, Lease Sale No. 65 (7 November 1978).

Letter from Edward T. LaRoe to Walter Kolb (20 November 1978).

Letter from Governor Askew to Secretary Andrus (1 December 1978).

Letter from Murice Rinkel to John Rankin (20 March 1979).

Letter from Governor Graham to Secretary Andrus (7 September 1979).

Letter from Murice Rinkel to John Rankin (26 September 1979).

Letter from Murice Rinkel to John Rankin (13 November 1979).

Letter from Murice Rinkel to Harry Sieverding (19 March 1980).

Letter from Walter Kolb to John Rankin (18 April 1980).

Letter from Murice Rinkel to John Rankin (18 April 1980).

Letter from Governor Graham to Secretary Andrus (11 June 1980).

Letter from Secretary Andrus to Governor Graham (10 July 1980).

Letter from Murice Rinkel to John Rankin (14 July 1980).

Letter from Governor Graham to Secretary Andrus (17 September 1980).

ATTACHMENT 2

SUBCOMMITTEE ON THE 5-YEAR
OCS LEASING PROGRAM
REPORT

February 11, 1981

ABSTRACT

The Outer Continental Shelf Policy Committee (OCSPC) at its April meeting in Corpus Christi established a subcommittee, which was charged to:

> "monitor the implementation of the 5-year leasing program and to aid and assist the committee in resolving conflicts surrounding implementation of these and other provisions of the OCS Lands Act Amendments; (OCSLAA)".

Since the 5-Year Leasing Schedule will be the driving force on OCS matters, the charge clearly indicated the necessity for looking at provisions of the OCSLAA.

The Subcommittee, in responding to this charge, solicited input from all members of the OCSPC, the Department of the Interior (DOI), and industry. The Subcommittee was aware of the efforts underway by other organizations to evaluate the OCS Program and propose federal legislation to change it. The Subcommittee has used the suggestions submitted and has reviewed all documents available to it in making its recommendations.

The Subcommittee has met a total of five times and has presented one Interim Report to the OCSPC at the Providence meeting in October, 1980. The views expressed at that meeting have been considered in making the recommendations.

The Subcommittee identified several problem/conflict issues pertaining to the 5-Year Leasing Schedule, its implementation, and other provisions of the OCSLAA which it felt deserved the attention of the OCSPC. These were the role of the Regional Technical Working Groups; the current 5-Year Leasing Schedule; the rationale, criteria, and information used by DOI in the preparation of cost/risk analysis and making scheduling decisions; the BLM Environmental Study Program; the timing of activities in the pre-sale planning and leasing process; and the possibility of avoiding conflicts and

simplifying permitting by cooperative arrangements between the federal and state governments.

The Subcommittee has identified that delays and litigation are resulting because of communication problems and a critical lack of proper and timely information for decision making processes throughout the OCS Program - particularly, in regard to Sections 8, 18, 19, and 102 of the OCSLAA. The Subcommittee, therefore, has concerned itself with how it might be possible to improve the interaction processes between the state and DOI in the areas of consultation and communication.

The Subcommittee recommends that the full OCSPC give consideration to:

1. Improving the efficiency of the OCS Policy Committee by making its meetings more productive.
2. Improving direct communications with the Secretary and his staff, including more frequent and effective use by the membership of the staff personnel most intimately associated with the OCS Policy Committee.
3. More clearly defining the roles of the various components of the OCS Advisory Board and their relationships to DOI and each other.
4. Preventing delays in the 5-Year Leasing Schedule similar to those that have occurred in the past schedules; the OCSPC recommending to the Secretary that he establish a working group with experts from DOI, OCSPC, and industry to clarify the rationale and the criteria used in decision making.
5. Revising the existing 5-Year OCS Leasing Program to comply with the provisions of the OCSLAA.

6. Recommending to DOI the development of a 5-year study program based on the information needs of the 5-Year Leasing Schedule since adequate, proper, and timely information is developed primarily by the BLM Environmental Study Program.
7. Recommending to the Secretary that he request the other federal agencies responsible for oil pollution research to coordinate their research in order to supply information to the DOI 5-Year Leasing Schedule.
8. OCSPC recommending to the Secretary the establishment of a working group of experts among DOI, OCSPC, and industry to shorten the frames and the documentation required under the pre-leasing to the production stages of OCS operations.
9. OCSPC recommending to the Secretary that the full OCSPC establish a subcommittee with the responsibility of working with DOI, the industry, and the scientific committees of the OCS Advisory Board to determine the rationale and criteria upon which a lease termination might be based and examine the effects and cost of such a termination to increase the possibility of exploration drilling in frontier areas.

I. Purpose of the Subcommittee

At its April meeting in Corpus Christi the OCS Policy Committee established a subcommittee with the charge to:

> ..."monitor the implementation of the 5-year leasing program and to aid and assist the committee in resolving conflicts surrounding implementation of these and other provisions of the OCS Lands Act Amendments;"

Prior to beginning Subcommittee deliberations the Chairman solicited input from the DOI through the Executive Secretary of the OCS Policy Committee and from all members of the full OCS Policy Committee. Responses were received from the State of Alabama, State of New Hampshire, and DOI. The State of New Hampshire requested that we review "how responsive the Interior has been to the states' concerns in the implementation of the 5-year program" and "to identify important issues within the leasing program which required a longer review before accurate assessments could be given". The DOI requested that we "should devote time to taking a critical look at the entire (OCS pre-sale planning and leasing) process to determine whether, where, and how we can improve on what has been put in place." DOI indicated their intention to undertake such a review and requested that we submit "any questions as to how we (DOI) may best involve the Leasing Program Subcommittee, and the entire OCS Policy Committee". DOI supplied the Subcommittee with the states' comments on the implementation of the present 5-year Leasing Schedule and the DOI responses to them. In addition, the Chairman requested that the States of Alaska and California supply all of the comments they made to the 5-Year Leasing Schedule and the Environmental Impact Statements for scheduled sales to the Subcommittee.

The Subcommittee is aware of other OCS Program evaluation efforts underway and has reviewed the "Evaluation Panel Report Review of Federal Program in Environmental Impact Studies of Petroleum in the Marine Environment" conducted for the Interagency Committee on Oceans Pollution Research Development and Monitoring (COPDRM). The Subcommittee was asked to review the GAO report and comment on its findings to the full committee. However, the GAO report was not complete and, therefore, could not be reviewed. The Subcommittee is attempting to meet with the GAO staff. Also, since the Providence, Rhode Island, OCS Policy Committee meeting, the Subcommittee has received DOI's request for comments regarding revision or reapproval of the existing 5-Year Leasing Schedule.

II. Summary of Subcommittee Activities

A. Meetings

Members of the Subcommittee met formally five times:

Sacramento, California - July 18, 1980

Attendees: Lennie Boston, Alaska
Deni Greene and Gary Midkiff, California
Jon Christensen (telephone communication), Oregon
Murice Rinkel, Chairman, Florida

Seattle, Washington - August 25, 1980

Attendees: Lennie Boston, Alaska
Deni Greene and Gary Midkiff, California
William Howe, Louisiana
Murice Rinkel, Chairman, Florida

Denver, Colorado - September 29, 1980

Attendees: Lennie Boston, Alaska
Deni Greene and Gary Midkiff, California
William Howe, Louisiana
Patricia Jerman, South Carolina
David Kinsey, New Jersey
William Phillips, POGO
Murice Rinkel, Chairman, Florida

Providence, Rhode Island - October 21-22, 1980

Attendees: Lennie Boston, Alaska
William Gipson, POGO
Deni Greene and Gary Midkiff, California
Patricia Jerman, South Carolina
David Kinsey, New Jersey
Alan Powers, DOI, Washington, D.C.
Murice Rinkel, Subcommittee Chairman, Florida
Hal Scott, OCS Policy Committee Chairman

Denver, Colorado - January 12-13, 1981

Attendees: Lennie Boston, Alaska
William Gipson and William Phillips, POGO
Deni Greene and Gary Midkiff, California
William Howe, Louisiana
David Kinsey, New Jersey
Murice Rinkel, Chairman, Florida

All travel funds were provided by the attendees. The state members' travel was supported by OCS participation grant funds. Meeting rooms were provided by the State of California in Sacramento, by DOI in Seattle and another in Denver, and in January, 1981, by the State of Florida in Denver.

B. Interim Report:

An Interim Report presentation was made to the OCS Policy Committee at its meeting in Providence, Rhode Island, on October 21, 1980.

III. Problem/Conflict Identification

In its Interim Report the Subcommittee recommended modification of the OCS Policy Committee meeting structure and an improvement of communication with the Secretary and his staff.

During its discussions several members of the Subcommittee raised their concern regarding a lack of understanding of the role of the Regional

Technical Working Groups (IPP). Specific examples were cited where it was felt IPP groups were being called upon to make policy decisions. While technical input is necessary for policy decisions, the IPP members were not appointed to perform this duty without consultation and advice from the policy members. In some cases, it appears that the IPP representative is failing to report to the policy representative, as specified in the OCSAB charter. Additional complications arise because there is no established mechanism whereby the OCS Policy Committee representative can report back to the IPP representative. Lines of authority and communication need to be clarified. The apparent cause of this conflict is the lack of a clear understanding between the states and the Department of the Interior regarding the nature and role of the IPP.

Following the review of all of the material mentioned above, the Subcommittee discussed the development of the 5-year leasing program and its implementation through individual lease sales. From this discussion it became clearly apparent that although the states and industry had different experiences and views regarding OCS leasing, they shared a common problem. This Subcommittee finds that a single critical issue permeates the entire DOI/OCS program and is not limited to the 5-Year Leasing Schedule or to any single party involved in the OCS Policy Committee. This single issue, in the opinion of the Subcommittee, involves DOI's implementation of critical provisions of the OCSLAA. The Subcommittee feels that the DOI has failed to "...assure that states...are provided an opportunity to participate in policy and planning decisions relating to management of the resources of the OCS:" (Section 102, OCSLAA). More particularly, the Subcommittee feels that the DOI has apparently violated Sections 8(g), 18(C)(2), and 19(c) by:

a. failing (in production areas) to provide the states with consultation as provided in Section 8(g) and

b. not responsing in writing to requests that criteria and rationale for preparation of the 5-Year Leasing Schedule be identified and discussed publicly.

Although states have received some responses to their comments, these responses did not "communicate to the governors the reasons for his (the Secretary's) decision to accept or reject such governors' recommendations" as required by Section 19(c) of OCSLAA. There are instances where this has led to litigation and associated past schedule delays, and unless corrections are made, cannot help but continue to do so.

Heretofore, presentations made by the DOI regarding OCS leasing activities have seldom been supported by factual data or documentation of the reasoning process to afford states an opportunity to evaluate the decisions. Examples of DOI's actions, which have led to litigation and associated delays include:

1. DOI has not, in existing production areas adjacent to state waters, reached revenue sharing agreements as required by Section 8(g), or to respond to state requests for consultation as required by Section 19(c). This policy has, in the case of some states, forced the states to ask the courts to require that DOI comply with these sections of the OCSLAA.

2. In the preparation of its 5-Year Leasing Schedule, DOI introduced a proposed program and distributed it for comments. Although DOI received many negative comments and suggestions for modification of the

program from governors of affected states, the program subsequently adopted was essentially unchanged. Although specifically asked to do so, DOI refused to display the criteria and rationale used to fulfill the requirements of Section 18 of the OCSLAA. Because the program adopted by DOI and the arguments offered in support of that program do not appear to fulfill the requirements of Section 18, and because DOI failed to adequately respond to their requests or consultation as provided by Section 18(c)(2), others have petitioned the court to review DOI's 5-Year Leasing Schedule.

Had DOI in each of these cases complied with the purposes of the OCSLAA and treated the states in the manner prescribed by the Act, lawsuits might not have been necessary.

Likewise, the Subcommittee recommends that the OCS Policy Committee encourage DOI to modify its current procedures regarding requests from the states for full consultation and to give meaningful responses as required by OCSLAA; otherwise, regardless of who is at fault, lack of communication will undoubtedly lead to delays in production of OCS energy resources. Some delays may be the result of litigation. The Subcommittee has determined that these delays may occur at any stage in the process from leasing to production.

The subcommittee is unanimous in its findings that DOI's failure to respond adequately to states' recommendations and to explain or justify its decision regarding acceptance of the states' recommendations has led to conflicts, litigation, and unnecessary delays.

The Subcommittee has identified, as part of the above discussed communication problem, a critical lack of proper and timely information throughout the OCS process. The primary means of generating this information is the BLM Environmental Studies Program. However, the failure of DOI to properly structure this program, as identified by the Jamison resolution (OCSESAC meeting in 1976), the National Academy of Sciences Environmental Studies Program Review (June 17, 1977), and the CPDRM Report (January 15, 1981), have resulted in:

a. decisions being made without adequate information,
b. opposition to rapid exploration due to inadequate information, and
c. litigation to challenge questionable decisions.

Further, even if studies are properly structured, the existing procedures do not allow timely availability of information necessary in the leasing process. The lack of timely information has been documented as well in the above named reports. The increased number of sales in the 5-Year Leasing Schedule has emphasized the importance of adequate and timely information.

The Subcommittee's Interim Report states "The DOI requested that we 'should devote time to taking a critical look at the entire (OCS pre-sale planning and leasing) process to determine whether, where, and how we can improve on what has been put in place'. DOI indicated their intention to undertake such a review and requested that we submit 'any suggestions as to how we (DOI) may best involve the Leasing Program Subcommittee, and the entire OCS Policy Committee.'"

IV. Subcommittee Recommendations

The Interim Report, presented in October, recommended immediate action to: 1) improve the efficiency of the OCS Policy Committe by making its meetings more productive, and 2) improve communication with the Secretary and his staff.

In response to the Subcommittee's Interim Report Recommendations with regard to modification of the OCSPC, the Agenda Subcommittee has been reconstituted, and the Chairman has invited the Secretary and his staff to the February meeting of the OCS Advisory Board. Since the OCSPC has responded so favorably to our Interim Report in these areas, we have no further recommendations on the above items at this time. It is our anticipation that the Agenda Subcommittee's efforts will result in improved meetings, and that participation by the Secretary and his staff will result in improved DOI/OCSPC communication processes.

The Interim Report also presented several items for further discussion by the Subcommittee. These items were:

1. Role of Regional Technical Working Groups;
2. Current 5-Year Leasing Schedule;
3. Rationale, criteria, and information used by DOI in preparation of cost/risk analysis and making scheduling decisions;
4. Cooperative agreements as an opportunity for resolving conflicts and permit simplification;
5. DOI Environmental Study Program; and
6. Concerns about pre-sale planning and leasing process.

The Chairman of the OCSPC has requested that we make recommendations on these issues to the OCSPC. The Subcommittee has reviewed these six items and will not make any recommendations on Item 4 at this time. The Subcommittee feels that the remaining five items can be covered under three general areas of recommendations since its deliberations have convinced it that a number of the items interact in such a way that they cannot be considered separately. The Subcommittee now offers recommendations in these three areas:

A. OCS Advisory Board - the roles of its components and their relationship to each other

RTWG's were organized and their members chosen to advise the Secretary on scientific and technical issues of regional scope. The formation of the Regional Technical Working Groups was an important part in the DOI's attempt to develop regional study programs and transportation plans rather than the concerns of individual states or groups. For this reason the membership was limited to technical and scientific members instead of policy personnel. The Subcommittee feels these groups are extremely important in advising the Secretary of the DOI on such matters. Therefore, the RTWG's and BLM should recognize that it is inappropriate for them to consider policy issues per se. Under the OCS Advisory Board Charter, DOI regulations and the OCSLAA, state input to OCS policy decisions must be provided by the governor or his policy representative. When RTWG's identify concerns of scientific or technical nature which will affect policy decisions, they should advise state and federal policy officials. Although there is presently no provision for communication between the OCS Policy Committee and RTWG's, the Subcommittee recommends that the OCSPC and its individual members develop such a method for insuring proper communication between them in line with their charters.

B. 5-Year Leasing Schedule - rationale and criteria for its development and synchronization of BLM Environmental Study Plan with Leasing Schedule

The Subcommittee recommends to the OCSPC that the 5-Year Leasing Program be revised to comply with the provisions of the OCSLAA, and that the rationale and criteria upon which such revision is based be clearly presented to prevent further delays such as have occurred in the past. The decision making procedures connected with the 5-Year Leasing Schedule must have adequate and timely information to prevent delays and litigation. Most of this type of information should be coming out of the BLM Environmental Study Program. Unless this program is geared to the 5-Year Leasing Schedule, the data generated cannot be adequate or timely in decision making processes. It is recommended that the DOI develop a 5-year study program based on the information needs of the 5-Year Leasing Schedule. The Subcommittee recommends to the OCSPC that it recommends to the Secretary to coordinate with other federal agencies responsible for OCS related research to ensure synchronization of their programs with this 5-Year Environmental Study Program. Adequate information and understanding of DOI's decisions would avoid future delays and litigation. The Subcommittee suggests to the OCSPC that it recommends that the OCSPC serve as part of the task force supplemented by technical and scientific members of the OCS Advisory Board to assist DOI in the implementation of this recommendation.

C. Timing of the leasing process from pre-sale to production

DOI has asked that the Subcommittee devote some time to look at the pre-sale planning and OCS leasing process. The Subcommittee has reviewed this matter and believes that there are several areas in process where the time frames can be shortened and documentation requirements reduced. The Subcommittee feels that the OCSPC and the Subcommittee can play an important part in the DOI review of the timing and related provisions of the leasing process. It recommends to the OCSPC that it participates, as requested by DOI, in this process and that a working group be established to provide the OCSPC's input.

V. Future Activities

The OCSPC Chairman asked that the Subcommittee include in this report a recommendation as to its future activities. The Subcommittee recommends that with the addition of a member of a North Atlantic region it serve as an OCSPC working group to assist in the revisions of the 5-Year Leasing Schedule and evaluation of the pre-sale plan and OCS leasing process. It believes that, with the addition of a member from the North Atlantic region, the Subcommittee could serve as an OCSPC working group set up on the 5-Year Leasing Schedule and the OCS pre-sale planning and leasing process working group.

The Subcommittee, in its discussions, believes that delays and litigation may be slowing down OCS activity because there is no clear understanding by industry and the states as to policies regarding terminations of OCS activities pursuant to Section 25(h) of the OCSLAA. Therefore, the Subcommittee recommends that the OCSPC establish one additional subcommittee with the responsibility of working with DOI, the industry, and the OCS Advisory Board Scientific Committee to (1) determine the rationale and criteria upon which a lease termination decision might be based and (2) examine the effects and costs of such a termination.

VI. Resolution

The Subcommittee recommends to the full OCS Policy Committee the adoption of the following resolution:

WHEREAS the new Secretary of the Interior has expressed an interest in working with State Governments, industry, and environmental groups and being a good neighbor; and

WHEREAS THE Secretary and the State Governments have many mutual interests in the management of public resources; and

WHEREAS open communication is an absolute necessity and a cooperative relationship so important to Outer Continental Shelf oil and gas leasing; and

WHEREAS the OCS Policy Committee can provide an essential mechanism for such communication and desires to do so:

NOW, THEREFORE, BE IT RESOLVED that the OCS Policy Committee welcomes Secretary Watt and invites him to immediately establish clear and regular communication with this Committee; and further,

BE IT RESOLVED that the OCS Policy Committee desires to continue to serve the Secretary in dealing with Outer Continental Shelf issues so important to federal, state, and local governments, the industry, and the public interest; and further,

BE IT RESOLVED that the OCS Policy Committee recommends that it continue to meet at least three times a year.

RECEIVED
AUG 4 1981

U.S. DEPARTMENT OF THE INTERIOR
NATIONAL OCS ADVISORY BOARD
OCS POLICY COMMITTEE

SUBCOMMITTEE ON THE 5-YEAR OCS LEASING PROGRAM

Final Report
[illegible]

Supplemental Report
July 23, 1981

RECEIVED
AUG 21 1981

I. Purpose and Introduction

At its April 1980 meeting in Corpus Christi, the OCS Policy Committee (OCSPC) established a subcommittee to:

> "...monitor the implementation of the 5-year leasing program and to aid and assist the committee in resolving conflicts surrounding implementation of these and other provisions of the OCS Lands Act Amendments..."

In February 1981, the subcommittee distributed a written report to the committee for discussion at a scheduled meeting in Charleston. Secretary Watt later cancelled this meeting, and took the following actions:

April 16	o Watt announced draft proposed revisions to 5-year schedule o Watt requested comments on steps to streamline OCS leasing process
June 12	o BLM Released draft supplemental EIS on proposed schedule
early July	o DOI announced agenda for August OCSPC meeting in Norfolk
July 15	o Watt announced proposed 5-year offshore oil and gas leasing program
late July	o Public hearings on BLM's draft supplemental EIS

On July 23, the Subcommittee on the 5-Year Program met in Denver to review the accuracy and timeliness of its report in light of Secretary Watt's proposals, and to formulate recommendations on the proposed program and streamlining measures for consideration by the full Policy Committee at its Norfolk meeting. The attendees were:

William Gipson, POGO
William Howe, Louisiana

David Kinsey, New Jersey
Deni Greene, California
Gary Midkiff, California
Maurice Rinkel, Chairman, Florida

II. Reapproval of the Subcommittee's February 1981 Report

The Subcommittee has carefully reviewed its February Report and finds that the analysis, conclusions, and recommendations remain valid and timely. The Subcommittee recognizes that the change in the federal Administration provides a special opportunity for the Policy Committee and the Department of the Interior to consider carefully and act promptly on the Subcommittee's nine principal recommendations to improve the OCS oil and gas leasing, exploration, and development process.

III. Supplemental Report and Recommendations

The Subcommittee has reviewed both the OCS oil and gas program proposals and the Department of the Interior's actions since February 1981, and offers supplemental recommendations for the Policy Committee and the Department of the Interior to consider. These recommendations cover three areas: (1) the format and agenda of Policy Committee meetings, (2) the proposed revised 5-year program and streamlining proposals, and (3) the relationship of the nation's OCS policy to the nation's energy and coastal policies.

1. Format and Agenda of OCS Policy Committee Meetings

The Subcommittee feels that its recommendations on the format and agenda of the OCSPC's meeting are still valid. A review of the draft agenda for the current meeting, prepared by DOI without input from the agenda committee, reaffirms this finding. While we recognize that DOI had to arrange this meeting quickly, we feel that our previous recommendations should have been carried out. The implementation of these recommendations would improve the effectiveness of the OCS Policy Committee's meeting and the quality of its deliberation.

2. Revisions in Proposed 5-Year Leasing

It is refreshing to see a proposal to streamline leasing procedures. However we caution DOI not to discard valuable planning steps and environmental safeguards when simplifying the process.

The Subcommittee recommends several key points for DOI to include in further Program revisions. The first points are found in Section 18 of the OCS Lands Act Amendments which require that DOI consider the following items:

- sharing risks and benefits among regions
- relative environmental sensitivity and marine productivity
- location of OCS leases with respect to other uses
- laws, goals and policies of affected states

Further points reflect a consensus of state and industry respondents to the draft proposed program. Sale areas should include a reasonable amount of acreage with high exploratory potential. To quickly identify recoverable hydrocarbons, certain tract offerings might stipulate that exploratory drilling occur early in the lease term. We recommend that the points listed below guide the DOI's continued efforts:

1) include high quality acreage and concentrate initial exploration efforts in frontier areas with best prospects, while protecting significant environmental resources;
2) select reasonably sized planning units in frontier areas which

correspond to identifiable geologic basins, environmental regions, and onshore planning areas;

3) do not lease unsafe areas, identified during presale geohazards analyses, which cannot be explored safely. (This avoids cancelling leases and reimbursing lessees)

4) study additional ways to encourage rapid exploration of highly promising frontier areas. One possibility is to offer large tracts (perhaps 20,000-30,000 acres) in certain promising areas for a 5-year term and require lessees to file permit applications within 60 days of receiving the lease. Lessees would then have to undertake exploratory drilling within a reasonable time (such as 2 years) or relinquish the tract. Remaining tracts in the planning area should be of standard 5000 acre size.

5) conduct the environmental studies necessary to prepare comprehensive EIS's on frontier areas. This will improve the quality of environmental review and provide adequate mitigation of adverse impacts.

In frontier areas, sales should coincide with the completion of these environmental studies so that the lease sale EIS's are thorough. Comprehensive EIS's should be prepared for at least the first two sales. Once a complete data base is collected, EIS's for subsequent sales might be tiered to include tract-specific data, and reflect changes in the scope or circumstances of the sale.

6) retain a preliminary tract selection process to narrow the area under consideration. This ensures that high quality, "high-interest", acreage is available. It will also ensure sufficient government and industry personnel and capital resources to evaluate oil and

gas resource potential, and to analyze potential economic, environmental and social impacts.

DOI's proposal for a Call for Information process and extremely large planning areas (50-100 million acres) places an unreasonable burden on industry, government and the public to evaluate the potential resource and identify potential impacts. With fewer presale, basin-by-basin, resource estimates, the areawide proposal will not provide planners and decisionmakers with sufficient data to identify onshore or marine impacts and mitigation measures to avoid irreversable impacts. This evaluation is vital in order for BLM and DOI to balance risks and benefits, ensure sharing of risks among the various regions, consider the importance of other uses of the OCS, and consider the laws, goals, and policies of affected states These responsibilities are required by the OCS Lands Act Amendments.

3. Role of Coastal and Energy Policy in Shaping OCS Program

The DOI must recognize that U.S. coastal and energy policies are broad and equal bases upon which OCS oil and gas policy must rest. National energy and coastal policies should drive and determine the OCS policy, not vice versa. Coastal decisionmaking, well-established under the CZMA, forms the larger framework within which the development of non-renewable OCS petroleum resources must be decided.

ATTACHMENT 3

David Carter
404 Carlton

STATE OF FLORIDA
OFFICE OF GOVERNOR BOB GRAHAM

APR 15 1982

Honorable James G. Watt
Secretary of the Interior
Washington, D.C. 20240

Dear Secretary Watt:

Thank you for your letter of March 16 outlining the "tentative proposed final five-year Outer Continental Shelf (OCS) oil and gas leasing program" (March 1982) for July 1982 through June 1987. Florida is aware of the need to strengthen America's economic and national security and supports the role OCS exploration and development can play in accomplishing these objectives. Even though we have no major objections to OCS development, there are several concerns we wish to bring to your attention.

As we have indicated in past communications, the State of Florida supports OCS operations for leasing, exploration and production, providing that adequate consideration is given our unique economic and environmental resources. The State's coastal areas are a major factor in all of our conservation and development programs. Therefore, we are very sensitive to offshore development and wish to share in its positive impacts while keeping negative impacts to a minimum.

One of our major concerns involves statements made in the Secretarial Issue Document (SID) which accompanied the five-year schedule. It is stated in the SID that the Bureau of Land Management's Environmental Studies Program and the U.S. Geological Survey's Geo-hazards Program would be phased to ensure that the proper level of environmental data, appropriate to make decisions at each step in the leasing process, would be available. Based on the boundaries of the planning areas which will be offered, it is our evaluation that at this time environmental data is not available for all areas to continue with the leasing process as proposed.

As we have indicated in the past, Florida is very concerned about the proposed OCS leasing south of the 26° North latitude in the Gulf of Mexico. Your office has assured us that adequate environmental studies would be completed in that area before any sales occurred. Even though studies have begun in this area and are continuing, we question the adequacy of the area covered in the studies and the availability of final data to perform accurate cost/risk analysis of the unique, sensitive, and highly productive fishery grounds off the southwest coast of Florida.

In the South Atlantic, areas presently identified for Lease Sale 78 (scheduled for July 1983) have had no studies to support data for cost/risk analysis. Essentially, no environmental studies have been performed south of Jacksonville, Florida. For this reason, we object to the area south of 30° North latitude being included in Sale 78 and any subsequent sales without studies.

In my May 18, 1981, letter to you, I requested that Sale 78 be delayed until 1985. This request was made to assure that vital information from geo-hazard, water current, and deep biota data would be available for cost/risk analysis by the proposed sale date. I continue to request this delay particularly for Blake Plateau and the area south of 30° North latitude.

We also have major concerns with the Final Supplemental Environmental Impact Statement (FSEIS). Although most of the material will be transmitted to your office as a separate response, our concerns outlined below warrant immediate attention.

Despite the fact that the FSEIS contains nine different lease-sale schedules, the Department of Interior has decided to offer a completely different new "tentative proposed final" five-year schedule as its preferred alternative. Nearly 900 pages of analysis accompany the nine alternative schedules. However, the latest version, as found in your March 16 letter, contains no analysis or references to the FSEIS. Modifications in the number and timing of sales in the eastern Gulf of Mexico will significantly affect the rate of exploration and development off Florida's west coast. I request that you provide me with this analysis before sending your schedule to Congress in May.

Thank you for the opportunity to comment on the proposed leasing program. We want to cooperate with you on this program, with the assurance that state and local governments will be given ample opportunity to comment. We will continue to support OCS development concurrent with efforts to protect Florida's coastal economic and environmental resources.

With kind regards,

Sincerely,

Bob Graham

Governor

BG/mdc

STATE OF FLORIDA
OFFICE OF GOVERNOR BOB GRAHAM

AUG 2 0 1982

Honorable James G. Watt
Secretary
U.S. Department of the Interior
Washington, D.C. 20240

Dear Secretary Watt:

Approval of the Final Five Year Oil and Gas Leasing Schedule raises several concerns that have not yet been resolved to Florida's satisfaction. These concerns have been brought to your attention previously in my May 18, 1981, letter regarding the draft proposed five year leasing program; my April 15, 1982, letter regarding the tentative proposed final five year leasing program; and Mr. Murice Rinkel's May 17, 1982, letter to Assistant Secretary, J. Robinson West. All are attached for your reference.

Let me reiterate our two most pressing concerns. Specifically, we remain very concerned about proposed leasing south of the 26°N latitude in the Gulf of Mexico. The question remains regarding the adequacy of the area covered by the environmental studies program and the availability of final data to perform accurate cost/risk analysis as required by Section 18 of the Outer Continental Shelf Lands Act, as amended.

In addition, since 1980 I have repeatedly requested that South Atlantic Lease Sale #78 be delayed until 1985. Of the four years of physical oceanographic data collected on the continental shelf, only two years of data are in final report form. The fifth year of the study, which will synthesize all of the data into final form, has not yet occurred. Also, current studies on the Blake Plateau have had only one year of data collection on the section offshore Jacksonville, Florida. The section offshore North Carolina has had less than one year of data collection, while a study of the section offshore Savannah is not scheduled to begin until FY 83.

Deep biota studies of the continental slope and the Blake Plateau are scheduled to begin in FY 83. These studies will take a minimum of three years to complete. Although two years of data have been collected in the living marine resources studies, an additional year is needed to synthesize these data.

The fifth year of the geological resource studies, which will cover the southern section of the Blake Plateau (presently identified for leasing in sale #78) is just beginning. I do not believe that you can complete the collection of the data and perform the synthesis of the results for use in the March 1983 Final NEPA document for Sale #78 and in the cost/risk analysis.

South Atlantic Sale #78 presently has areas identified which have no environmental studies to support data for cost/risk analysis. Essentially, no environmental studies have been performed south of Jacksonville, Florida, (approximately 30° North latitude) and data is not available in the literature to adequately perform the required analysis. We therefore continue to object to the South Atlantic sales as scheduled which includes the Blake Plateau and the area south of the 30° North latitude.

As we have indicated in numerous past communications, the State of Florida supports Outer Continental Shelf (OCS) oil and gas operations for leasing, exploration and production providing adequate consideration is given our unique economic and environmental resources. Florida continues to be aware of the need to strengthen America's economic and national security and supports the role that OCS can play in accomplishing these objectives.

We wish to cooperate with you on this program and hope that future communication will lead to a better understanding by each of us in regard to our concerns as they relate to our mission.

With kind regards,

Sincerely,

Bob Graham

Governor

BG/mdc

Enclosures

1

FLORIDA INSTITUTE OF OCEANOGRAPHY
830 First Street, South, St. Petersburg, Florida 33701
Telephone (813) 893-9100

File - Proposed 5 year Lease Schedule 1982 - 1986

May 17, 1982

Mr. J. Robinson West, Assistant Secretary
Policy, Budget & Administration
Office of the Secretary
U.S. Department of the Interior
Washington, D.C. 20240

Dear Robin:

At the Washington OCS Coordination Committee meeting in March you asked that we review the final proposed 5-year OCS oil and gas lease schedule for January 1982 - December 1986. You stated that you realize that our review comments could not be incorporated into this particular document; however, you felt that a critical review of it would locate problem areas, which could be discussed among the states and DOI for future 5-year leasing activities.

I will try to keep my remarks within the guidelines that you established in the meeting since I feel that it was a deliberate attempt by you to open up a communication method between the states and DOI. Further, my comments will take into account the discussions we had at the meeting with your people in regard to the actual preparation of the final EIS and your attempts to comply with legal requirements of the Watt vs. California suit. Let me state that without those particular discussions in which I believe I saw and understood that your staff had made conscientious attempts to review and analize the information required in the EIS according to the Lands Act Amendment my remarks would have been critical in nature rather than that of a discussion. I sincerely hope that you will convey to your superiors that I believe this approach is a positive result from the philosophy expressed by you in requesting the establishment of the coordinating committee.

DOI is in receipt of previous comments by Governor Graham on the proposed 5-year schedule. I am assuming these were considered in preparation of this EIS. Therefore, I will not discuss those letters and their contents with you.

I would like you to be aware that we have submitted the final EIS through appropriate review procedures within the State and enclosed with this letter are communications from the Department of Veteran and Community Affairs, the Department of Natural Resources, the West Florida Regional Planning Council, the South Florida Regional Planning Council, the Tampa Bay Regional Planning Council, and the Southwest Florida Regional Planning Council. These documents were reviewed by the State and used in preparing the contents of this letter.

University of Florida　Florida State University　Florida A. & M. University　University of South Florida　Florida Atlantic University
University of West Florida　University of Central Florida　University of North Florida　Florida International University
University of Miami, Rosenstiel School of Marine and Atmospheric Science　Florida Department of Natural Resources, Bureau of Marine Science and Technology

Enclosure 2 with your letter states that reoffering sales are scheduled each year to cover tracts offered in the previous calendar year outside the Gulf of Mexico. Also, the proposal to remove tentative tract selection and let industry bid on all tracts in a basin at the time of the offering, except in the Gulf of Mexico, requires clarification as to what we can expect in the Gulf of Mexico.

You received a number of suggestions from the oil industry for changes in regulations, including primary lease terms of eight years being permitted in frontier areas such as the Atlantic and the eastern Gulf of Mexico. This suggestion should be rejected, particularly for those tracts in shallow waters. Any extension of primary lease terms must be done guardedly because an extension might be a disincentive for industry to expedite exploration.

Another recommendation is elimination of the requirement for preparing an environmental report as part of an oil company's exploratory plan for a drilling permit. Environmental reports are necessary because they provide site specific environmental information useful for decision-making. We recommend that this requirement remain. At least, in the Eastern Gulf of Mexico the preparation of cooperative environmental reports on adjacent tracts in the same bathymetric zones with similar exploratory drilling dates is feasible. Such joint cooperative efforts between companies would eliminate some paperwork and save time.

Thank you for the opportunity to comment on the draft proposed 5-year oil and gas leasing program. I look forward to working and cooperating with you on this program. We will continue to support OCS development concurrent with efforts to protect Florida's coastal economic and environmental resources.

With kind regards,

Sincerely,

Bob Graham

Governor

BG/mdb

I will identify some general concerns and discuss them with you and supply a list of specific corrections that we feel should be made in any future EIS's. This list is attached as an appendix, and if you or your staff need further amplification of our comments, please contact either Mrs. Libby Gautheir (formerly Libby Hodecker) or me.

The Secretary is required under Section 18 (a)(2) of the OCS Lands Act to make a cost-benefit analysis for the schedule. To make such a comparative analysis the Act required it to be among various oil and gas bearing physiographic regions of the OCS. To do this it is necessary to break the OCS lands into planning areas. The net social value for each area is the difference between the economic value based on an estimate of hydrocarbon resources, market value of expected production less the direct cost of production, the transportation to market, and the measurable social and environmental costs. For the net social value to be a meaningful entity requires careful balancing of these different factors to create proper planning areas.

Considering the short time available to make these analyses and the existing administrative regions, I can understand the staff's rationale for the proposed planning areas. From the viewpoint of the states the diversified natural systems and the tremendous disparity in the size of the planning areas make the comparisons rather meaningless and, in my opinion, could lead to continued litigation.

The original proposal to consider the entire Gulf of Mexico as one planning area ignored the variability of the estimated hydrocarbon resources within the area, the difference in cost associated with shallow and deep water activities, and the presence of at least four or five major ecosystems. The results of treating it as an entire unit would mean that one area, such as the State of Florida, which has a completely different environment than the other areas, would be treated as though major damages could not occur in the overall comparison of the Gulf of Mexico. DOI's decision to break it into three regions (Western, Central, and Eastern) as the development of the five-year program went on was of some help. However, regardless of the advantages of having three administrative regional areas in preparing the EIS, the regions are still too large to make the appropriate comparisons. I believe this is recognized by the New Orleans office, which is, in fact, subdividing the eastern region into several EIS oil-gas/ecosystem regions for discussion as individual entities in the document.

A similar condition occurs in the South Atlantic. The proposed five-year schedule now includes part of the Straits of Florida. This area has never before appeared in any projected sales, nor has been part of any environmental study program; if it is included with future South Atlantic lease sales, it will be unsatisfactory to the State of Florida.

If we did not feel there is a way to handle these particular problems within the proposed regional EIS's, which are under preparation, the State would have to look very hard at litigation similar to that of California in regard to this proposed five-year schedule. It is the State's belief that if the regional EIS's look at discrete oil and gas/ecosystem areas within their administrative regions, it is possible the cost-benefit analysis can be performed in a meaningful manner as required under the Lands Act Amendment. The State of Florida, therefore, will wait until these regional EIS's are developed before re-examining this problem.

Regardless of whether proper planning areas are established, Section 18 presents some real problems in producing adequate analysis data. These problems were discussed by your DOI staff at the coordinating meeting with a degree of honesty that I find refreshing. As an oceanographer, I really have great concern that the data used in this cost-benefit analysis will ever be adequate. This means that a series of assumptions are going to have to be made which will be the key to the acceptance of the results.

People seem to think that only in the area of environment are there inadequate data. In my opinion, it runs throughout the whole system from the determination of the resources, to the direct cost of production, transportation, and the measurement of social and economic cost. If one wants to criticize or press litigation, there is ample evidence presented in the five-year EIS to support such positions.

The real question, therefore, is can we establish a process under these limitations that will assure everybody that the spirit of the law is being followed. With this in mind, let me make some comments about some of the problems that would be of major concern:

A. It appears that a constant cost assumption has been made for the entire OCS area. While this may be applicable in production areas in the Central and Western Gulf of Mexico and Southern California, it is difficult to see how it can be applied to the frontier areas. Further, at least in our area, the cost associated with deep water activities is difficult to establish since the full technology required is still under development.

B. The assumptions seem to forget that we are talking about nonrenewable resources and renewable resources; further, that the renewable resources are going to be affected by long-term accumulative effects, and since data for this type of effect are not available, it is ignored. The assumptions seem to indicate that the only consideration was the effects of individual oil spills.

C. The Lands Act Amendment required that DOI assess the marine productivity of the various planning areas. Your staff discussions with the Coordinating Committee on how they ended up with primary productivity as a tool to be used in this assessment was not whether it was the proper tool, but it was the only tool where there was even some degree of the possibility of adequate data. The problem is that primary productivity is not a good means of assessing the fishery stocks for cost-benefit analysis. The way primary productivity fits into the ecosystems in the various regions is not the same. Despite the 236 million dollars you referred to that have been spent on BLM environmental studies, data are not available to make this assessment, nor are they available from any non-BLM source. This brings up an important point, which will be brought out in Item G on the environmental studies below, and that is the need for studies to produce data for cost-benefit analysis.

D. Assumption is made that the potential damage to the fishery stocks by oil and gas development will not exceed the natural variability being experienced by the fishery industry. Since, to the best of my knowledge, the question of natural variability in the fishery industry has been under study for 30 to 40 years without a definite conclusion being reached, I find this statement impossible to accept. It may be that at a single geographic location on a single or a few species that enough data have been collected to discuss a statement of this nature but to apply it to several planning areas is unacceptable unless you can quote scientific results to support the statement. I hope DOI is not taking Fish Landing Statistics as an indication of natural variability. (See Item 2 in Appendix I.)

E. The net economic value has been based on price and cost forecasts for the next five years. The results of these forecasts have been used in the cost-benefit determinations. Yet within the SID document a statement is made that the lease market will adjust to future price and cost changes; therefore, the five-year leasing program does not have to be based on accurate forecasts of these items. How can one accept this contradiction?

F. The largest number of lease sales in frontier areas is in Florida. In the past leasing activities, the oil companies have been asked to identify areas of interest in the MAFLA regime. They have, in fact, by this expression of interest indicated the extent of the actual lease sale areas based on their best estimations of where the potentials are. These identified areas have been further reduced in extent by discussions among the Federal and State agencies. Even under this dilution in the number of tracts to be offered for sale, the actual purchases have been approximately ten percent of what had been nominated by industry as having potential hydrocarbon deposits. Based on this past history, how do you arrive at the assumption that the entire acreage within the proposed planning areas should form the basis for the total net economic value. This assumes that the entire area will be actually put into production. The factors put into cost benefit analysis have problems in other areas than environmental studies.

G. Environmental study programs: The State of Florida is now participating in 11 lease sales— 8 of them under the Lands Act Amendment. In each of these sales the State has not protested the sale on the lack of available data to satisfy the cost benefit analysis required by the Lands Act Amendment. Rather than go to litigation, it has attempted to have minimal studies performed in these areas to supply such information before the next scheduled sale. Let me say "environmental" is used in its broadest term to include socioeconomic and other factors. At no time have we had even this minimal amount of data available for decisions at EIS or notice of sale. This has occurred primarily for two reasons. The first is that basically the kind of data needed has not been collected in existing state, federal, or academic programs. There are no long-term statistically valid studies covering the entire United States and in our area covering the waters adjacent to the State of Florida. Second, if the studies occur, they will have to come out of BLM's environmental study programs. I am not going to enter into a discussion as to who has the mission for these types of studies; rather I am stating a scientific management fact that they are not in existence. Your new proposed five-year leasing schedule now enters into a third refinement of the DOI environmental study program. It has moved from base line planning areas to sale specific to proposed reconnaisance studies. Regardless of which of these three philosophies was or is followed, a minimum of at least four years is required to collect the data that the State would consider falls within the spirit of the law as discussed previously. The present proposed five-year schedule will open up major areas never even considered in any of the studies up to now. Not only does this prevent adequate cost-benefit analysis, but it makes the importance of termination procedures under the Lands Act Amendment at notice of sale, exploration permitting time, EIS's for production stages, and fate and effect relationships during the development and production monitoring programs of vital concern to the State. The studies should, therefore, look into these matters.

H. The Lands Act Amendment requires rules and regulations for procedures for cancellation of leases. This type of regulation is of such a general nature that the states cannot determine the conditions under which the leases might be cancelled. This causes problems for the states as discussed below.

The streamlining process states that the geohazard data on each tract will now be post-lease in nature. Is the DOI prepared to come up with rules and regulations to compensate industry for a denial at expiration permit time? What are the rules and regulations for this? The idea that this will occur under the normal permitting procedures without clearly defining rules and regulations in place is difficult to accept because of the cost factors connected with leasing procedures. The State of Florida has also been asking for a long time just what the rules and regulations are for termination of production for long-term environmental effects such as could result from the Georges Bank monitoring program. Without such rules and regulations in place along with a clear understanding by all of us of what they mean, this five-year leasing schedule may result in litigation at later dates.

I. Concerns about the appropriateness of releasing this document as a final supplement to the Environmental Impact Statement: This document should have been released as a "revised" Draft Supplemental EIS (DSEIS) since the original DSEIS did not include most of the information supplied in the final supplement. The lack of information in the DSEIS made it difficult for reviewers to provide meaningful comments at that time. A number of reviewers of the DSEIS also felt that the document "inadequately addressed ...the...impacts of streamlined procedures, and areawide offerings...." (See Page 875 for the comments of New York, California, Maine, North Carolina, Alaska, the Environmental Protection Agency, the National Oceanic and Atmospheric Administration, and the U.S. Army Corps of Engineers). We do not concur with the Interior's assessment of this issue, as found on Page 876 of the FSEIS.

According to the NEPA regulations, "If a draft statement is so inadequate as to preclude meaningful analysis, the agency shall prepare and circulate a revised draft of the appropriate portion" (40 CFR 1502.9). Since the DOI did not review the draft, but instead released this document as a "final" supplement, we are concerned that the DOI may have violated the spirit of NEPA by not openly requesting review comments as would have been the case if the supplement was a draft document.

J. Possible problems with the streamlined OCS leasing process: The FSEIS does not discuss how the proposed changes in the lease sale process and the leasing schedule will affect local and state governments' ability to participate in the OCS process. The OCS Lands Act as amended required the Federal Government to assure that state and local governments have an opportunity to participate in the OCS leasing process (43 USC 1802).

If the changes proposed in this document are implemented, state and local governments participating in the OCS process will have responsibilities at least as great as those they have now. Larger areas will be available for leasing, and state and local agencies may need to provide more extensive comments. Frontier areas (e.g., the area south of Cape Canaveral in the Atlantic and the area south of the 26 degree north latitude in the Eastern Gulf of Mexico) will be open for leasing, and local governments not previously affected by lease sales will need to become informed about and involved in the leasing process. The assessment of impacts should also take into account the fact that local and state governments will have to respond to these new federal initiatives without the aid of federal money, which has been supplied through the Coastal Energy Impact Program (CEIP). The effect of changes to the leasing process and the loss of federal aid, which encourages, state, local, and regional participation in the OCS process, needs to be addressed more thoroughly unless DOI wish's uneducated fear to play a major factor in the states' responses.

Some planning areas are so large and the development scenarios so general that state, regional, and local governments cannot accurately assess the potential impacts. For example, the South Atlantic planning areas have 1,192 miles of coastline, but potential impacts of OCS development on coastal ecosystems and water quality are described as if they apply to the entire region equally. Unless the discussion of these potential impacts is based on the location of promising basins or geographic areas with hydrocarbon potential, it is very difficult to accurately describe and assess regional impacts.

This more focused approach would also explain why certain areas are mentioned as possible sites for future OCS-related development. Returning to the South Atlantic example, the FSEIS states that Port Everglades may be used as a permanent service base and that a pipeline landfall may be required in Broward County. This statement is the first indication that areas this far south on Florida's Atlantic coast may be affected by OCS activities. Maps or other information explaining or justifying these statements would be very helpful to the reviewers and would assist state and local governments in planning for possible OCS impacts.

DOI's proposed emphasis on post-lease sale measures could eclipse their pre-lease sale obligations. Since one of the goals of DOI's new leasing process is to offer the largest possible number of tracts for sale, it must rely more on lease sale stipulations, exploration plans and environmental reports, and other post-lease sale measures to prevent or mitigate negative impacts. Two pre-leasing steps of particular concern to Florida are DOI's consultation with the governors of affected states (Section 19 of the OCSLA) and the state consistency review (Section 307 of the CZMA). Both these steps provide the state with important, statutorily defined opportunities to participate in the tract selection process. Therefore, this emphasis on post-lease sale regulation should not overshadow the importance of fully utilizing these pre-leasing mechanisms.

Public hearings should be scheduled for each lease sale. According to this document, public hearings will be held on the regional environmental impact statements, but the need for additional hearings for subsequent NEPA documents related to specific lease sales will be determined on a case-by-case basis. Public hearings will be necessary on each of the NEPA documents. In the time between the preparation of the regional EIS and the supplemental NEPA document, many circumstances can change in a community or region. For example, new and important information related to drilling for oil and gas may be included in the NEPA document for the first time. Public awareness of OCS activities may increase. By holding a public hearing, local governments and other concerned members of the community can be educated and are assured of a timely opportunity to convey their concerns directly to federal decision-makers.

I am now finished with all general nationwide comments. In summary, Robin, let me again express my feeling that only by frank discussions among the various parties such as could occur in the OCS Coordinating Committee can we overcome the inherent data limitations of the various factors required under the Lands

Act Amendment. Whether it be the Federal Government's or the states' management decisions, they are going to have to be made based on the spirit of the law rather than strict scientific results. I am very worried that without such communication in some official mode that future five-year leasing schedules under the streamlining processes will face major resistance from a number of the states. This will be particularly true as DOI enters into an accelerated mining lease schedule such as presently proposed in Alaska and the South Atlantic.

Very truly yours,

Murice O. Rinkel
State of Florida OCS Representative

MOR/rvf

Enc.

APPENDIX I

Corrections Needed in the FSEIS Document

A very thorough review of the FSEIS has revealed numerous technical problems. These are listed below in order of occurrence.

	Page	Problem
1.	xviii	Description of proposed action is different from new schedule.
2.	xix	Under "Summary of Environmental Impacts", we disagree that "in no case would the loss to the industry (commercial fishing) be measurable against the natural variation in the industry." If natural variability is defined by DOI to be the fish-catch statistics, this statement is unsupportable. Fish statisticsdo not reflect natural variability but are composed of a number of factors only one of which is natural variability. They are composed of at least catch effort, operation costs, economic factors or resistance by the public to purchasing fish, and natural variability. In our area shrimp can illustrate these different factors. Most of the variability in fish statistics comes from the first three factors since work on natural variability has not resulted in the ability to predict yearly statistical fluctuations. In talking with Mr. Harold B. Allen of the National Marine Fisheries Service, he indicates that similar problems have occurred for other species in the United States. Since you can't do it for our area on an individual fishery, we do not understand how you can make statements such as you have in the text to cover all fisheries. The analysis in the FSEIS does not necessarily confirm this.
3.	xx	What specific measures will be taken to mitigate conflect in military training and NASA operational areas?
4.	2	Section 18(a)(2) of the OCS Lands Act, as amended, states that the five-year leasing program must be prepared and maintained with consideration of existing information concerning the geographical, geological, ecological characteristics of the regions and the location of regions with respect to other uses of the sea and seabed including fisheries. We do not feel that information of this nature now exists for the area south of 26°N latitude of the Gulf of Mexico and south of 30°N latitude in the South Atlantic. Under Section 18(a)(13) we fail to see how the Secretary can make a decision to include these areas in the program.
5.	3	Chapter IV., Item (B). We would like to receive the material that discusses the balancing necessary to determine the equitability of distribution of developmental benefits and risks among the various OCS regions.
6.	5	Comments from Florida's regional planning councils were not included in Section VI in the FSEIS.

APPENDIX I Contd.

	Page	Problem
7.	8	Section 20 of the OCSLAA requires the Secretary to conduct a study of any area included in an oil and gas sale. This has not been done for areas south of 30°N latitude in the Atlantic Ocean.
8.	9	Conducting studies after the lease sale may delay exploration activities which clearly is not consistent with the goals of this program.
9.	11	Florida's Coastal Zone Management Plan was approved in September, 1981.
10.	13	A discussion of navigation in the Gulf of Mexico is missing.
11.	17	Florida would like to receive all the information that is not proprietary from the USGS and Minerals Management Service. It will increase the effectiveness of state and local governments in their review and analysis of OCS activities.
12.	21	The FSEIS should have stated which document or at what step the final stipulations are to be published.
13.	21	We request that at least one public hearing be held for each sale in Florida. If only one public hearing is held, it should be after the DEIS.
14.	21	The DEIS must be disseminated well in advance of any public hearing in order to allow for sufficient review time. We wish to work closely with your office on this.
15.	26	The FSEIS states that "industry, states, local governments, and public interest groups may be required to respond more quickly to requests for information on review". Timely dissemination of information and continuance of the OCS participation grants and Coastal Energy Impact Program are two two steps the Federal Government could take to help local governments respond more quickly to these requests.
16.	27	The shortened response time for Call for Information leaves very little time.for state and local government coordination and response. It really is not feasible to think that organizations and individuals will prepare comments three years in advance.
17.	27	If significant leasing and development does occur beyond the areas expected to be developed, then these areas should also be subject to impact studies.

APPENDIX I Contd.

	Page	Problem
17.	27	If significant leasing and development does occur beyond the areas expected to be developed, then these areas should also be subject to specific impact studies.
18.	28	The areawide EIS may indicate that oil and gas resources are not likely to occur in certain areas that may be sensitive environmentally. This could result inadequate attention being focused environmentally sensitive areas that are likely to be developed.
19.	34	The South Atlantic planning area border extends south to approximately Broward County in Figure III-3. The planning area for Lease Sale #78 extends to Brevard County. Will you please describe by latitude and longitude the exact boundaries of the South Atlantic planning area?
20.	45	In Table III-7 the Gulf of Mexico planning area should have been divided into eastern, central, and western so that the quantities of drilling effluents released in the eastern Gulf could be more accurately assessed.
21.	46	The distinction between Table III-9 and Table III-6 is not clear. The FSEIS needs a good, clear definition distinguising between "estimated development to result from the recovery of all resources within each planning area for Alternative I-1" and "estimated development to result from adoption of Alternatives I-1".
22.	47	The State of Florida previously had a lease sale stipulation that oil and gas produced offshore must come onshore by pipelines. Table III-8 does not account for this. Is this an indication that DOI wishes to drop this stipulation?
23.	49	The discussion of impacts in the Eastern Gulf of Mexico indicates that the burialof pipelines may cause short-term impacts. Table III-6b on Page 44 indicates there are no pipelines planned for the eastern Gulf. This is an inconsistency that occurs several times throughout the FSEIS.
24.	49	In the discussion of cumulative impacts on coastal ecosystem, the species that might expect impacts should have been listed.
25.	77	Impacts from Alternative III-1 on the Eastern Gulf of Mexico are omitted from the document.
26.	77	Again, Table III-15 ignores the previous Florida pipeline transportation stipulation.
27.	85	The discussion of the "average amount of acreage leased" would be strengthened with the addition of some reliable figures.
28.	93-94	Pages 93 and 94 are misplaced. They should be located after Page 98.

APPENDIX I Contd.

	Page	Problem
29.	93	The estuarine and nearshore species discussed on this page should be itentified and their importance as commercial or sport species indicated.
30.	98	There have been no studies south of 30°N latitude near Jacksonville to enable inclusion of a brief description of the area in FSEIS.
31.	99	The location of offshore scallop beds could have been further identified by giving some onshore reference points.
32.	106	The discussion of oil spills does not address the economic impact of lost fishing opportunities. This fault is displayed often throughout the FSEIS.
33.	106	The discussion of an oil spill reaching the coral reefs of the Florida Keys ecosystem is unsatisfactory. The toxic pervasiveness of some oils must be acknowledged. Oil can also be ingested or may smother organisms, thereby being lethal in other manners.
34.	112	The Merritt Island National Wildlife Refuge should have been included in the list of important waterfowl habitats.
35.	114	In south Florida winter is the peak use season associated with beach and ocean attrations.
36.	122	The general description of the Eastern Gulf of Mexico marine habitats and resources is totally unsatisfactory.
37.	122	The table on Page 122 is out of place and should be numbered.
38.	126	The information Continental Shelf Associates is acquiring in the Southwest Florida Ecosystems Shelf Study should be used to update the discussion of live bottoms.
39.	126	Florida feels that live bottom located below 100 meters can be unique and productive. Data from ongoing BLM studies support Florida's position. For this reason, we are redrafting the present biological lease stipulation to reflect this.
40.	126	There is at least one interim ocean dumping disposal site in the Eastern Gulf of Mexico. The Environmental Protection Agency is is in the process of designating a final site.
41.	126	The FSEIS should have noted that much of the Deston Dome has been excluded from leasing for national security reasons.
42.	129	Humm is not the most recent source for seagrass information in the Eastern Gulf of Mexico. Dr. Richard Iverson of Florida State University has recently published additional information on seagrass composition and distribution. We can send you this report if you wish.

APPENDIX I Contd.

Page Problem

43. 130 Seagrass beds are located south of Tarpon Springs also. Again, see Iverson's report.

44. 135 The population statistics for the Eastern Gulf of Mexico are out of date. The Southwest Florida Regional Planning Council provides these figures:

SMSA	1980[1]	1981[2]
Fort Myers - Cape Coral	205,266	214,867
Sarasota	202,251	209,452

1) U.S. Census Final revised figures April 1, 1980

2) University of Florida estimates for April 1, 1981

45. 135 The FSEIS should state that the two refineries located in Florida are very small and specialized and are not capable of refining most types of oil.

46. 167,168 It is unclear what the units of measurement are for Tables V.D.3-1 and V.D. 3-2. Is this per rig or for all drilling over the entire OCS?

47. 176 The characterisitics of barite should have been included in this discussion.

48. 187 According to Acting Secretary Paul Hodel, the Eastern Gulf of Mexico will not be subject to annual sales.

49. 268 If gas pipelines will not be constructed under any of these alternatives, then how will the gas located off the South Atlantic get to shore?

50. 273 The description of potential impacts on other uses of the OCS contains a reference to Section V.D.3.a. Note that this section does not contain information on this subject.

51. 273 We would like to review the "Evacuation" stipulation discussed on this page.

52. 274 Jacksonville, also, has the capability to serve as support bases for offshore drilling activity.

53. 275 Broward County is mentioned as a likely landfall site. Broward County is considerably south of the South Atlantic planning area. Is the reference to Broward County a mistaken reference to Brevard County? Or, is Broward County considered a likely landfall site because of Port Everglades? Please clarify.

APPENDIX I Contd.

	Page	Problem
54.	279	The Dusky Seaside Sparrow is an endangered bird species located in coastal Brevard County.
55.	286	Port Everglades is identified as a place where OCS induced employment and population growth may occur. We are concerned that developments constructed or expanded to service activity in the South Atlantic could also be used for eastern Gulf activity. We suggest that OCS activity on the southwest Florida slope and shelf may create a demand for access to Atlantic coast facilities through the Florida Straits. This issue must be addressed by the DOI.
56.	287	The Coastal Energy Impact Program is discussed as a tool for helping state and local governments cope with OCS related impacts. This discussion is inappropriate since Congress at the request of the Administration eliminated all funding for CEIP by FY-83.
57.	289	The discussion of adverse impacts on recreation should include a special reference to Florida's economic dependence on coastal recreational tourist activities. Potential environmental degradation resulting from OCS development and production or from an oil spill could have a major effect on the State's principal revenue source.
58.	296	Impacts to eastern Dade County should be included when analyzing activity in the Eastern Gulf of Mexico. The entire eastern Gulf analysis omits any reference to Atlantic coast activities and impacts. Please see Comment 55 for additional concerns on this topic.
59.	296	Is 9% maximum probability of landfall within 10 days realistic, or is higher?
60.	297	What are the assumptions used when stating that "commercial fishing vessel traffic will have a greater impact concerning marsh loss than does oil/gas related vessel traffic"?
61.	298	A gas processing plant located in southwest Florida would have to be built, not expanded.
62.	298	Water is a problem in south Florida.
63.	300	The statement is made that "eleven platforms and 408 wells are planned on the basis of the proposal". Page 299 states that "thirty platforms, 1039 exploratory and development wells, and two pipelines are estimated for this area with all federal resources developed." The distinction between the two situations should have been clearer especially since they are used extensively throughout this section.
64.	301	Eglin AFB is a very large military base used extensively for military training and operations in the eastern Gulf.

APPENDIX I. Contd.

	Page	Problem
65.	302	What was the reference or source of your information regarding plans for providing additional support bases in Panama City, Port Manatee, and Boca Grande?
66.	302	Again, there is a contradiction with the statement that no oil or gas pipelines are proposed. Please see Page 299.
67.	302	Should the marine terminal discussed on this page occupy 30-40 acres instead of 3040?
68.	304	The majority of fish of recreational and commercial importance in these waters produce floating eggs. Therefore, eggs and larvae would be subject to spill impacts outside of nursery areas as well.
69.	307	How low is the low probability of Manatee impact due to increased vessel traffic?
70.	308	Hillsborough County is a non-attainment area for TSP as well as O_3.
71.	310	A 3-month shoreline impact may be considered short-term, but it depends on the reference point and recovery.
72.	311	The second paragraph on this page is totally unrelated to the discussion on recreation.
73.	311	Although it is true there are no marine sanctuaries in the Eastern Gulf of Mexico, there are two federal estuarine sanctuaries here. Also, Florida has many aquatic preserves in the eastern Gulf.
74.	311	Fisheries management plans have been drafted and reviewed for mackerels, billfishes, and swordfish.
75.	311	The discussion on coastal zone management is largely irrelevant. Also, the discussion of "directly affecting" appears to be outdated. The Department of Commerce rules for defining activities "directly affecting" the coastal zone (including pre-leasing activities) were published on July 8, 1981, and withdrawn on October 6, 1981.
76.	312	The text on this page contradicts statements on Page 313 regarding short-term and long-term potential effects.
77.	315	This page is misplaced. However, part of the discussion on socio-economic factors is missing. We request a copy of the complete analysis of this section.

APPENDIX I. Contd.

	Page	Problem
78.	856	DOI's reponse to Issue No. 10 is not adequate. We feel the response should have included DOI's assessment stating why basin-specific sales are not better than area-wide sales.
79.	873	Florida disagrees with your response to our request Lease Sale #78 be delayed until 1985. Our reasons for this request have been stated by Governor Graham. On April 13, 1982, a subcommittee of the South Atlantic RTWG met to propose environmental studies for the FY-84 BLM Study Program. During this meeting BLM reviewed with us the status of the FY-82 and FY-83 programs. These discussions have a direct bearing on the statement you have made in regard to having available environment data for the Lease Sale #78 EIS.

In the four physical oceanographic studies performed on the Continental Shelf, only two years of data collection were in report form. The last two years of data collection in the program are either in draft final report form or draft report form. The fifth year of the study, which was to synthesize the data into one final report, has not yet been contracted. The current studies on the Blake Plateau which form one of the bases for our request for deletions of lease tracts on the continental slopes and the Blake Plateau has only one year of collected data on the section off Jacksonville with no report; the beginning of data collection on the section off North Carolina (one-half year); and only plans for a third section off Savannah which will cross the manganese deposits and the Blake Plateau (scheduled for FY-83). Unless you can document how you plan to complete the data collection, reduction of them, and perform the synthesis of the results from the three sections by March, 1983, we do not understand the statement that the results will be in an EIS for Lease Sale #78.

The deep benthic processes studies on the continental slopes and Blake Plateau are to start in the FY-83 program and will not be completed for at least three years. Two years of data have been collected in the living marine resource studies with a draft report scheduled for August, 1982, and the contract to synthesize these data has not been let which will take at least one additional year.

The review and/or synthesis of existing information on the fisheries off North Carolina and the Continental Rise was either not contracted for or will not have a draft report in time for the March, 1983 EIS. The fifth year of the geological resource studies, which will cover the sourthern part of the Blake Plateau that is now part of the leasing area for Lease Sale #73, has not been contracted for and also, will not be available for the EIS.

APPENDIX I Contd.

I personally reconfirmed the discussion of the April 13th meeting in regard to environmental studies prior to making these comments, and I can only assume, therefore, that the statements made on Page 873 are communication problems since the facts do not support the FSEIS.

It was knowledge of this lack of environmental information that caused the State to request deletion of tracts on the continental slopeand Blake Plateau. We also question the need for Lease Sale #78 based on the lack of expressed interest by industry.

80. 876 We also disagree with the response made to Issue No. 5. Our reasons have been previously expressed in this documentation.

Thank you for personally extending the opportunity to comment on the FSEIS.

Sincerely,

Murice O. Rinkel
State of Florida OCS Representative

MOR/rvf

Senator **Weicker**. What I intend to do is to go to my colleagues for any opening statements that they might have. It is then my intention, so far as the committee is concerned, to go to a 5-minute rule, permitting each Senator 5 minutes to go ahead and engage in questions so everybody may have a fair turn.

Senator **Metzenbaum**. Is it the Chair's intention to go around several times?

Senator **Weicker**. Yes, absolutely.

Senator Tsongas?

Senator **Tsongas**. I was not here for the other opening statements, and rather than precipitate another round, I think I will pass at this point. I would like to inquire later.

Senator **Weicker**. Senator Nickles?

STATEMENT OF HON. DON NICKLES, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator **Nickles**. Mr. Chairman, I have no formal statement, but I would like to congratulate the Secretary, and also the administration I think, for a very much needed commonsense approach to the additional development of the Outer Continental Shelf.

I think it is ludicrous in the past where we handicapped production on OCS and actually increased our dependence on imports from OPEC countries, so I am delighted to see a more reasonable, more sensible approach to fair and equitable production, domestic production, to help us on our domestic production, in comparison to hopefully alleviate some of the import demand that we have had.

I think we have seen a positive--I didn't catch the exact figure, but we have seen a fairly dramatic reduction in the last 2 years of our import needs from OPEC, and I think with a more aggressive OCS approach, we can help break the chains of OPEC, so I am pleased with the Secretary's statement and also with your approach.

Secretary **Watt**. Thank you, Senator.

Senator **Weicker**. Senator Bradley?

STATEMENT OF HON. BILL BRADLEY, A U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator **Bradley**. Mr. Chairman, I won't make a full statement, but I would like to give the committee the tone of some of the questions that we might pursue here.

First, I think that I can say for myself and also for my State that we support an expeditious, efficient, environmentally sensitive development policy of OCS resources. But I think that this present lease plan may be opening the floodgates. While the previous leasing plan would have taken 500 years to develop offshore resources, I think collapsing that into a 5-year time frame might be a little too great. My fear is that the administration is doing the same thing to OCS that it is doing with defense policy; that is, simply throwing money at defense, in some sense wasting the money and generating a definite potential for a backlash.

Similarly, I think by collapsing OCS leasing schedule into 5 years, the administration may squander the opportunity to strengthen our economic and energy security.

Mr. Chairman, that is the general tone that I would follow when we do have questions.

Senator **Weicker**. Thank you very much. Mr. Secretary, I think many of us feel very deeply that there has to be a balance between oil development and environmental safety. There has to be a balance between concerns for energy development and our concerns for development of food resources from the oceans.

Every shred of evidence that I have read indicates that your accelerated plan for the OCS, opening 1 billion acres in the Continental Shelf, would be a great environmental danger to our fisheries, oceans, and coasts. Now it is not as if we didn't have previous experience in hand. Both Senator Tsongas and I have conducted hearings in Boston, Mass., when your predecessor started to open up the Georges Bank area to drilling, and it became very clear in the process of those hearings that the environmental safeguards that the Congress had thought were in place were not being utilized either by Interior, by NOAA, by EPA. Everybody had sort of left the field.

It also became clear in hearings before the subcommittee on the Campeche oil spill that there was very little interest on the part of this Government in determining the environmental consequences of that tragedy.

Now as you have indicated in your statement, there has been some $300 million spent on OCS-related studies over the years, but I would like to know, in God's name, how you are going to write, you are going to investigate and determine and write an environmental impact statement for 1 billion acres unless, indeed, there really is no intention of concern for the environment, and more particularly, let's bring it down to Earth here. I realize the times, Mr. Secretary, that the word "environment" is a nebulous term, is something that many Americans don't relate to their day-to-day life, but in this particular instance, what we are talking about are the food resources of this Nation being jeopardized by our quest for energy.

That is especially the case off Georges Bank areas which supplies 17 percent of the food of the United States of America, so I would like to know how you are going to go ahead and ever write an environmental impact statement for these 1 billion acres which you intend to put out.

Secretary **Watt**. Thank you for the question. First of all, Senator, I need to commend you for pushing the environmental interest in the Georges Bank. You are quite right. That was done before I came, and you, along with others, pushed me to provide funding to carry out studies recommended by a biological task force that the previous administration had denied funding for repeated years.

One of the first actions that I took upon becoming Secretary of the Interior was to fund the biological task force's environmental studies for the Georges Bank area.

We are concerned, and that is why we are putting the money there—to protect those environmental and food values that come from the oceans.

I just returned from a trip to Alaska where over half of the Outer Continental Shelf is located for the United States of America, and it produces tremendous quantities of food in a very fragile environmental area. There is a sale in Alaska that we will be having in October, one of the most promising sales of frontier areas. We have again extended the authority of the biological task force that we created to monitor and evaluate these issues, and in working with Governor Hammond of the State of Alaska, we have found that we can meet and converse on all of these issues and meet every issue that was of concern to the State of Alaska in this regard.

The record of the Department is good. We have accelerated under my leadership to see to it that the environmental concerns are given proper weight and attention. Now the basis for your question, and frankly the basis for the series of questions Senator Bradley intends to make, is based on a basic misunderstanding.

The 5-year program does not collapse the Outer Continental Shelf program into 5 years. It simply does not do that. It simply establishes, allows for the establishment of priority over the next 50 to 100 or more years, and it tells the public, the consumers, the oil companies, the Congress, the Governors, the State legislatures, what our plan is for the next 5 years, and this will be a rolling 5-year program, so it doesn't collapse anything. It simply says that in the next 5 years these are the steps we are going to make available. Then that plan says we are going to do it in large blocks—10-20-million-acre blocks—and we are going to say to private enterprise, little companies, middle-sized companies, big companies, tell us what you think has the highest priority. We are not going to tell them what the highest priority is. That is not the role of Government. It has been for 30 years, but it is wrong, and then, Senator Weicker—am I not to use your name in this? Senator, the committee chairman, however I may respond——

Senator Weicker. Mr. Secretary, let's not carry this any further. I am only trying to maintain a balance here so that everybody is fairly heard, and everybody is fairly treated.

Secretary Watt. I want to be responsive. You asked the question.

Senator Weicker. It is an extreme temptation even on my part to be unfair, so——

Secretary Watt. You won't be. You have never been unfair with me.

Senator Weicker. I want to make sure we get our questions asked.

Secretary Watt. I am taking advantage of one question you asked to respond to this, and I am trying to be responsive to everybody's interests, and sometimes, Senator, I don't know whether or not I am being responsive. I am trying to be responsive to your interest.

We then ask the companies and other interests, State, environmental groups, the like, to identify those areas within the large blocks that they want to have attention focused on. Then we focus in hard, Senator, on the environmental impact statement, and I have covered this in my opening statement, and that is where we concentrate the heavy focus of money, expenditure of money, to do the environmental studies.

We will not have an exhaustive environmental impact study on the whole billion acres at the end of 5 years. We have prepared an environmental impact statement on the 5-year program already, and we will prepare a site-specific environmental document prior to each sale, after areas of interest are identified. We have already got $320 million invested in environmental studies. It is cumulative in value, but you have to focus where the companies are interested in leasing, so to pretend otherwise is to intentionally misread the situation.

Senator WEICKER. In other words, it is your position—I don't want to put words in your mouth—prior to any actual leasing, that particular area would receive its own environmental impact statement?

Secretary WATT. Absolutely—exhaustively, clearly.

Senator WEICKER. My 5 minutes is up. Senator Metzenbaum?

Senator METZENBAUM. Thank you, Mr. Chairman. Mr. Secretary, in your report it indicates that the prelease activity with respect to the OCS declined approximately 27 percent from fiscal 1980 to fiscal year 1981, and that most lease exploration activities based on the number of exploration plans submitted and number of exploratory wells drilled, declined overall as compared to fiscal year 1980. In the Gulf of Mexico, the number of exploratory wells drilled and the number of exploration plans submitted decreased by 20 and 22 percent respectively for the previous year.

Will you be good enough to explain to us why, under this very aggressive program of yours, this activity has declined to the extent that it has in the first year of your administration?

Secretary WATT. I am not sure of where you are reading from.

Senator METZENBAUM. I am reading from a book that says, "Outer Continental Shelf Oil and Gas Leasing and Production Program, Annual Report of the Secretary of the Interior," under section 15, dated April 1982, and it is by a fellow by the name of James G. Watt, Secretary.

Secretary WATT. Your question is why drilling activity has decreased?

Senator METZENBAUM. Why you have prelease activity declined, and postlease exploration activities declined.

Secretary WATT. On the part of companies?

Senator METZENBAUM. Well, I would guess it would be on the part of the companies. They are the ones who obtain the leases. It comes under the heading of "Exploration Activity."

Secretary WATT. That would be the companies. I couldn't answer the question.

Senator METZENBAUM. Let me ask you this question. What is this stratographic test well? I don't understand that.

Mr. RIOUX. A stratographic test well is a well drilled to understand the section of rock that will be penetrated as one bores into the given area.

It is not designed specifically to find oil and gas, but rather to understand the column of rock that will be encountered in drilling, study those rocks, try to understand which ones might be reservoir rocks.

Senator METZENBAUM. That is part of the Outer Continental Shelf leasing program?

Mr. RIOUX. It has been, sir, in a prelease fashion under a permit, and whereby consortia of participants, it is open for advertisement.

Senator METZENBAUM. How do you explain the fact that in 1981 there were a total of zero deep stratographic test wells drilled?

Mr. RIOUX. Timing I gather; there are two in process right now in Alaska, one in the Bering Sea, one in the North.

Senator METZENBAUM. And the number of exploratory wells that were drilled went down to about 75 or 80 percent of the exploration planned. How do you explain that?

Secretary WATT. Let me respond in part. Of course, our program, accelerated program, didn't come into effect until July of this year, so we have had, what, 2 or 3 months to test our new program, so the low level of activity was under the previous program. The commitments for money and planning take years and years, so you don't just do it in an on and off situation. The commitment for exploratory drilling for calendar year 1981 would have been made by the companies in earlier years based on the then administration's permission and allowance. Therefore, neither Bob nor I would be qualified to explain why corporations do anything.

Senator METZENBAUM. Let me ask you this. A Los Angeles Times reporter reported that, "Nonetheless, several industry officials said the huge lease sales coming up in the future probably will reduce competition," would reduce competition, and therefore bid prices. Mr. McCullough of Pennzoil said, "A simple equation is if you greatly broaden the area for geologic evaluation, you probably will bring down the bonus bids."

Are you saying that you want to bring down the bonus bid?

Secretary WATT. I am.

Senator METZENBAUM. To get the independents in?

Secretary WATT. To get more people in.

Senator METZENBAUM. All right. What percentage of independents have been awarded contracts or leases since your administration as compared to percentage for the seven sisters, and how does that differ if at all with the previous administrations?

Secretary WATT. I don't have the answer for you, and I doubt that it differs at all because we haven't been operating under our program. We have been carrying out leasing under the past program.

Now you talked about figures that are declining. The most alarming figure that I think you find in that book is that production from the Outer Continental Shelf between 1970 and 1980 is down 34 percent. That is denying energy to consumers.

Senator METZENBAUM. Is it denying——

Senator WEICKER. Five minutes is up. We will go to Senator Nickles.

Senator NICKLES. I would like for you to finish your question. You will have another round.

Senator METZENBAUM. Thank you.

Senator NICKLES. I'm intrigued. Let me let you follow up a little bit, though. Between 1970 and 1980, we have actually seen a decline in production from OCS of 30 percent?

Secretary WATT. I think the figure is 34 percent.

Senator NICKLES. Is that because——

Secretary WATT. 31.5 percent—let me read this. Bob is here to keep me absolutely technically correct.

Since 1971, oil and condensate on the OCS has decreased 31.5 percent.

Senator NICKLES. Why is that?

Secretary WATT. Because principally the productions came from the Gulf of Mexico production fields, and those fields are old fields, where the reservoirs are declining. In addition we have not been leasing adequate acreage in frontier areas to encourage the drilling that is needed to find new reserves for oil and gas.

It has been pointed out that exploration in the Outer Continental Shelf has been less in recent years. There has not been a significant new find in the frontier fields, and we are hurting as a result of that.

Senator NICKLES. As far as the gulf coast area, have we developed that? Your policy greatly expands those leases also.

Secretary WATT. Yes; we will be expanding further out, and hopefully they will find other producing reservoirs.

Senator NICKLES. Do we have any significant production in the Atlantic or Pacific, either?

Secretary WATT. No.

Senator NICKLES. Do you expect possibly that we would have or at least what you are saying is we should open it up for possible exploration?

Secretary WATT. Right. There is no way of knowing, as you are well familiar with, Senator, of whether or not there will be any oil and gas found. We had hoped that there would be significant finds in the Atlantic coast and the tests so far have been very discouraging after millions if not billions of dollars have been spent in the Baltimore Canyon area and Georges Bank area. We have not found what I hoped we would find. It is most discouraging if you look at it from a consumer's point of view.

Senator NICKLES. Are you more optimistic off the coast of Alaska?

Secretary WATT. Very optimistic there; we think that we will have significant finds. It is very expensive to explore. It is very expensive to develop, and it is extremely expensive to transport to the consumer.

Unfortunately, you can't locate the oil where you would like to have it. We will be conducting a sale on October 13 in the Diapir Basin which is the one that Governor Hammond and I announced yesterday. There has been a meeting of the environmental conditions up there in the Beaufort Sea, and that is a very promising frontier area.

It has tremendous delivery problems, though, and we are talking about delivery of oil and gas years and years ahead of us, years and years down the road.

Senator NICKLES. This would possibly reverse this trend where we have seen a decline of OCS activity?

Secretary WATT. I hope that we can, but if we do not find those reserves, we will have to go to other sources, and that will include nuclear. It will include solar, include wind, waves, and coal. We will have to be looking at doubling the production of coal by the year 2000 almost under any scenario.

Senator NICKLES. It will also increase our reliance on imports?

Secretary WATT. That is the short term dictate.

Senator **Nickles**. Thank you.

Senator **Weicker**. Senator Tsongas?

Senator **Tsongas**. Mr. Secretary, we would agree that oil is a finite resource I think?

Secretary **Watt**. Yes.

Senator **Tsongas**. To the extent that you produce a barrel of oil today, it is gone, and to the extent that you consume a finite resource, it is not available to future generations.

A massive OCS exploration program in essence is a "drain America first" approach. In other words, granted we diminish our vulnerability short term, but you maximize your vulnerability long term so that our children and grandchildren are going to be faced with the situation where there is no OCS to go to under stress.

How would you respond to that?

Secretary **Watt**. Well, I understand your concerns, and our primary objective is freedom and liberty for American people, and that includes their quality of life, their environment, their consumer needs, and their national security interests. While we look to the long term which will require the renewable resources of energy, we have got to also live in the short term. If you are concerned about liberty and freedom for not only America but for our allies and friends, we must remain strong, we must remain reliable, and we must remain dependable so that we can commit, meet our commitments and promises to our allies and friends and to our consumers here, and not allow ourselves to become more dependent or wholly dependent upon foreign sources. As Secretary of Interior I have the stewardship responsibility of balancing the needs of the immediate—and I am talking about immediate as the next 20 years and 30 years—as well as how to prepare for the long term.

Senator **Tsongas**. Have you had any discussions with Secretary Edwards about what has happened to the solar budget and the conservation budget?

Secretary **Watt**. Yes.

Senator **Tsongas**. Consistent with what you have just said?

Secretary **Watt**. Yes.

Senator **Tsongas**. Would you care to share any of those conversations?

Secretary **Watt**. The conversations have related to the fact that technologies for solar energy have been developed, have been established, and are on the marketplace. Several companies are heavily into it. There is no indication that there is a new breakthrough on the horizon. The technology and the know-how is there. It is for the marketplace to bring it on, and it is the price of energy which will allow solar energy to come on.

Senator **Tsongas**. So you are satisfied with the administration's position on funding the solar bank, the conservation bank, photovoltaics, et cetera?

Secretary **Watt**. I fully support the positions of the administration on that, and I am opposed to the subsidy of the private enterprise system where they don't need that seed money to do the basic research.

The basic research on solar energy, to the best of the scientific knowledge that has been given to us, has been done and is on its way.

Senator **Tsongas**. Most of the energy studies that have been done recently, in the last few years, the Harvard Business School report, the OTA, the Carnegie report, all suggest that you maximize conservation and maximize renewable, and then move into your finite resources.

I take it you don't share that perspective?

Secretary **Watt**. I do share that view, and that is the way we are going. I am particularly familiar with the Carnegie study. I think it may be the same one we are talking about. That is why our conservation programs are going so well. If you recall, the Carter administration developed an energy plan for America, and it called for accelerated conservation, and I forget the—Bob, if you have these figures, you might supply them, but my figure won't be exactly correct, but they had targeted an amount of energy that should be conserved under these policies, and conservation would be realized by 1985. I think that was their date, *X* Btu's. The marketplace is a marvelous thing. That 1985 goal of the Federal Government was realized in 1980 because if you let the marketplace determine the value of Btu's, it will make the adjustment and bring about much more conservation more effectively, and much more authoritatively, than will Federal rules and regulations. That is why it has moved so marvelously. The basic thrust for conservation has come in the last few years, since 1973, through the marketplace, not through Government regulation. We are way ahead of the Carter administration's energy program on conservation because the marketplace has dictated it.

Senator **Tsongas**. The marketplace at this point is approaching rigor mortis which is one reason you have so much conservation.

Senator **Weicker**. Senator Bradley?

Senator **Bradley**. Thank you very much, Mr. Chairman. Mr. Secretary, on March 26, Under Secretary Donald P. Hodel wrote to the Governor of New Jersey, Governor Kean, and asked his view of the proposed leasing of 554 tracts of OCS areas; 115 of those are off the coast of New Jersey. Governor Kean responded in a letter dated May 20 to you asking that 23 of those 155 tracts be given some special consideration, asking that 7 be deleted, and that 16 be given a very careful environmental analysis before proceeding.

On June 28, 1982, Under Secretary Hodel totally rejected Governor Kean's request. Governor Kean's request was expressed from a concern that the leasing of these areas would damage the commercial fishing and sport fishing areas off the coast of New Jersey which in total amount to a billion dollar industry annually.

Do you still hold the same position?

Secretary **Watt**. I am intimately familiar with that situation because I personally have talked to Governor Kean's people, an eyeball-to-eyeball conversation in Houston at the OCS Advisory Panel meeting.

Their concern was about the tilefish that is a resident in those areas about a hundred miles off the coast of New Jersey. I talked to his people personally, as I said, while in Houston. I got deeply involved because of the Governor's letter, and I talked to his officials, and I made the decision that we would go ahead and offer those areas for lease. They have been offered for lease before. This was not the first time they had been offered for lease. There had been no interest in them, and we did offer them for lease, and there was no interest in them again.

There is no endangerment at all, no conceivable danger to an area that is not even the subject of a lease, and our objective, Senator, is to inventory the lands to see what resources we have.

Now we did do—I personally looked into this, personally got involved, and am intimately familiar with it because of the Governor's request, and I was satisfied after talking to our ichthyologists and our marine biologists that there was no threat to the tilefish 100 miles off the coast of New Jersey.

Senator **Bradley**. How are you reassured on that fact?

Secretary **Watt**. I am telling you. I have talked to our people and was reassured based on the studies that they had that even if there was drilling, there would be no significant impact to that habitat of the tilefish which are a bottom fish in the Atlantic.

The concern as expressed in the Governor's material was that the platform—these are bottom fish on the bottom of the ocean—that the platform pods or legs or whatever you call them that the rig sits on, would disturb the Pueblo communities of the tilefish. Our people said that such a danger to the tilefish would not be created—we can prevent placement of platforms and restrict discharges where they would endanger the tilefish. I personally made the decision to overrule the request of the Governor of New Jersey.

Senator **Bradley**. Are you aware of what the court ruled yesterday?

Secretary **Watt**. I am aware.

Senator **Bradley**. Does that make you reconsider since the court ruled that you must certify that the lease of these seven tracts is consistent with Federal, State, Coastal Zone Management, plans, or else you would be prohibited from offering the leases at the next sale in April?

Secretary **Watt**. The question is what? Am I disturbed about it?

Senator **Bradley**. Do you feel that that is consistent with what you have just said?

Secretary **Watt**. If your concern is the tilefish, there is no inconsistency. That isn't the issue in the lawsuit. The Coastal Zone consistency finding is a little different than we have worked out. The finding there is similar to the *California* case that was ruled upon by the ninth Circuit Court, and that is why I met with Governor Hammond, to work out the details for 71. We can work with the decision and prepare the necessary analyses and documents for the next mid-Atlantic sale. I am not sure, I think that there is an interesting finding in that *New Jersey* case. In that case, we would no doubt appeal it.

Senator **Bradley**. Why will you appeal it?

Secretary **Watt**. Because the judge has focused on the economics. He says the issue that is determined—there is inconsistency within his statement. It was an oral statement from the bench, and we really need to see the writing. Assuming the court did rule that economic impacts should be covered under the Coastal Zone Management Act, we would then appeal the decision. However, if the court ruled the opposite—that economic impacts on the coastal zone should be considered under section 19 of the OCSL Act and not under the Coastal Zone Management Act, we would not appeal the ruling on that point.

Senator WEICKER. When the Chair comes down with the gavel, that is only to go ahead with further questions. Certainly the answer should be completed.

Secretary WATT. Have I finished my answer? I think I have.

Senator WEICKER. It took 7 months of American help and technology to cap the Ixtoc 1 blowout which was in 180 feet of water. Now obviously according to your testimony what we are talking about here are properties that are situated in considerably more difficult areas both as to depth and as to wave action, et cetera.

We have determined through the Ixtoc I hearings and also again with Georges Bank hearings that the Coast Guard is incapable at the present time of handling any major oilspill under those kind of conditions. I imagine that probably has been accelerated by the cuts imposed on the Coast Guard in the last two budgets.

Do you think at the present time either through private resources or Government resources we have the capacity to handle a major blowout such as Ixtoc I should it occur on our Outer Continental Shelf?

Secretary WATT. I may want to call Bob Rioux to respond to the technical dimensions of that.

First of all, I am advised by our experts that Ixtoc would not have occurred under the stringent conditions that we have put on our permits and leasing arrangements. We are very tough, very stringent. The Santa Barbara spill in 1969 taught us a lot.

Interestingly enough, the Federal standards in 1969 were less than the California State standards under Governor Reagan. That has been changed. We are tougher now, and Ixtoc would not have happened had our conditions been put on it.

If there were to be a blowout under any set of circumstances, we feel that the technologies and capabilities are at hand to deal with it, and we would be able to deal with it.

Senator WEICKER. That, of course, is contrary to the testimony given by the Coast Guard itself and by other officials responsible for the emergency response plan. We do not have the capacity in terms of equipment to handle it even in the most benign circumstances such as I described to you.

I certainly know that no additional equipment has been purchased since the budget cuts that would enable these agencies to respond, so my question simply is assuming, No. 1, to say that—I don't want to get into a debate as to whether or not it can happen or not. It can happen.

Secretary WATT. Theoretically it can happen.

Senator WEICKER. Let's assume it happens. Now what do we do about it? Do we have the capacity to do anything about it?

Secretary WATT. We require, in the conditions set forth by the Department of Interior on the companies, that they have a spill containment program that is approved by us that would meet those contingencies.

Senator WEICKER. In other words, nobody would be permitted to drill except if they had the capacity to handle the worst case scenario in terms of a blowout, is that correct?

Secretary **Watt**. You have asked words of art, and Bob, can you help on that.

Mr. **Rioux**. It is difficult to say, as you have indicated, and I am sure the Coast Guard indicated the same, if you had a massive spill of the Ixtoc type. Our concentration is, of course, is on prevention. We have a very fine safety record on the OCS. Our regulations were greatly strengthened following the Santa Barbara spill. We have had no spill of that size since that time.

Accidents can happen. In insuring that they don't happen, in addition to our regulations which are much tougher than anything that existed in connection with the Ixtoc well, we have training requirements for roustabouts, drillers, and tool pushers. We do have a filing requirement for an oilspill contingency plan which would provide for equipment to be used to contain any spill.

We have a continuing research program on methods of oilspill containment. We continue to work with the EPA in the testing facility in New Jersey on the use of dispersants, booms, and skimmers to stay abreast of the latest technology.

Again, I would say our primary reliance is on prevention, and our record over the last 10 years, has been excellent.

Secretary **Watt**. You may want to comment that the Congress created a cleanup fund—I forget the right name for it—that the companies pay into. It is a multimillion dollar cleanup fund, and it is my understanding that not $1 has ever been withdrawn from that fund because there has been no need for it.

Mr. **Rioux**. I don't know the exact status of the fund, sir.

Senator **Weicker**. My time is up. I will continue my questioning on this point. Senator Nickles?

Senator **Nickles**. I have no questions.

Senator **Weicker**. Senator Metzenbaum?

Senator **Metzenbaum**. Mr. Watt, you indicated in response to the question from Senator Tsongas that this administration is opposed to subsidization in the areas where the private sector can do the job, and you talked about solar energy and synthetic fuels.

As a matter of fact, you have cut back solar energy funding 97 percent. You have cut back conservation 94 percent. I don't know that the private sector can do much about that except raising prices.

You have eliminated research money completely for gasohol. You have cut back loan guarantees for gasohol to 75 percent. You have cut back synthetic fuels and coal gasification and liquefaction figures 88 percent. You have cut back research money for oil shale 81 percent, and only the major oil companies are getting any of that Synthetic Fuels Corporation money.

Query—if you are so opposed to subsidization, then how can you justify driving down the price to the major oil companies who will be developing the Outer Continental Shelf? Isn't it the same kind of money? Aren't you getting the same advantages and aren't you doing in effect exactly what you say the Government shouldn't be doing?

Secretary **Watt**. We are trying to bring more people into the market for exploration on the Outer Continental Shelf. Prior to my administration, the previous administrations restricted the supply of acres, therefore driving up the bonus bid that you have been critical of.

Senator METZENBAUM. Didn't you just say there are no more independents bidding today than there were before?

Secretary WATT. I told you I didn't know, and my program has only come into effect in July of this year. Give us a chance.

The independents—I don't know what you mean by an independent, but I am trying to get more competition in that place. I am interested in consumers. If you want to deliver energy to consumers, you ought to search for the energy. If you make it prohibitive by putting heavy costs on it, then the consumers pay the increased cost.

Senator METZENBAUM. If you are interested in the consumer, shouldn't you gasify coal, liquefy coal? Shouldn't you develop solar energy? Shouldn't you develop shale oil? Shouldn't you develop all of the other alternative energy sources?

Secretary WATT. I am pleased to report all that is underway.

Senator METZENBAUM. Isn't it a fact that it isn't underway? Isn't it closed down? A gasification project in Noble County, Ohio, is closed down completely. Coal miners are out of work, crying for jobs, and all this administration is saying is that somehow the oil companies are going to solve our problems.

My question to you is how are you serving the Nation's interest? I am told that you forecast that your accelerated leasing program was going to produce $18 billion in new revenues to help balance the budget. Then you brought it down to $15.7 billion. GAO says the latter figure is still too high. And I think they are correct. You're flooding the market when demand for oil and gas is down.

On May 28, 1981—I am not sure I have my facts on this but I think I do—Exxon bid $2.1 million for Tract 197 which was offered during lease sale 53. That bid was rejected as too low, but now another major comes in, Shell, and bids $330,000 for the same tract on August 5 and you accept the bid, and on May 28, 1981, Elf which was a French oil company, bid $3.2 million for Tract 204. That bid was rejected, but when Shell bid $157,000 during the reoffer sale, the bid was accepted.

Now I don't understand your modus operandi. I don't understand where you are going. By bringing down the amount of money the Government gets, you are helping the major oil companies. But you're not helping solve our Nation's problems. You said to Senator Tsongas we are not worried about the future. We are concerned about the present.

Well, I am concerned about the future.

Secretary WATT. You can say anything you want to, but please let me speak for myself.

Senator METZENBAUM. All right. Go ahead.

Secretary WATT. I did not say that to Senator Tsongas, and let me say just for the record, so it is in the book at the right place—I have been abused on that one too many times—I told Senator Tsongas that I was concerned. I had a responsibility, a stewardship responsibility, to meet the short-term interests of the consumers, of the environment, of our national security, and that is the next 20, 30 years as well as looking out for the long-term interests of the next generations yet to come into the 21st century where we will have to look to the renewable resources.

I made that very clear in my dialog with the Senator, and I do not want that distorted in the record at this point.

Senator METZENBAUM. You are saying that in order to look to renewable resources that what we have to do is rely upon the private sector and the Government should not be involved. Am I interpreting you correctly?

Secretary WATT. I am telling you that in several of those areas the private sector is well underway and great progress is being made and is being realized.

Senator WEICKER. Mr. Tsongas?

Senator TSONGAS. Mr. Secretary, the issue of fishing and tourism is very important. In Massachusetts we have a fishing resource that obviously has national implications as well, and tourism is very important to us.

I notice in your statement that the terms fishing and tourism were never referred to. In putting together the plan did you consult with and has it been endorsed by any of the east coast or west coast fishing organizations or associations? I am not aware of any, but——

Secretary WATT. Senator, we have consulted with all the public interests. They have all made their comments. We have heard from all the industry. I can't cite the special interest groups. I am not that intimately involved.

Only two States have filed an objection with the courts in opposition to the 5-year plan, and that is Alaska and California. I think that is an answer to your question.

Senator TSONGAS. Well, specifically the fishing interests and there are many of them, many different associations that I am aware of, have any of them signed unto the plan?

Secretary WATT. I simply don't know. There was no requirement that they do so, or they not do so. If they made their comments, they were taken into consideration by the respective Governors and by us, and I was kind of looking to the court to see who is suing us. None of them are suing us yet.

Senator TSONGAS. Would any of your staff know? Would any fishing group or association?

Secretary WATT. I am advised none have supported us and none have sued us.

Senator TSONGAS. There is nothing in between I suspect.

Secretary WATT. I'm sure you'll put something there.

Senator TSONGAS. I think the basic concern is that, at least for me, there is no adequate response mechanism to deal with oil spills. The fact is if you have an oil spill, telephones are going to ring to the Secretary—I don't know how they did it, but we got a blowout off Georges Bank, and your response would be to do what? Who would you then call?

Secretary WATT. We would call upon several of the sources. The Coast Guard, of course, would be notified immediately by the companies, and they would put their forces into effect, and the consortium of oil drilling interests would move with their mobilization program to bring about containment.

Senator TSONGAS. That is what concerns me because I can't imagine that when it happens, if it happens, that we are going to see hundreds of park rangers out there with their hats on.

Secretary WATT. I would hope not.

Senator TSONGAS. You are going to basically rely on the agencies, and we sat through hours of testimony by these other agencies pre-Reagan who said to us we don't have the capacity. We are talking about skimmers. How many skimmers are on the east coast?

Secretary WATT. I don't know that answer. How many wells are producing on the east coast? We can get it for the record.

Senator TSONGAS. I think there is one or two. If I remember right, there is one someplace in the Chesapeake, but there is none up north of New Jersey.

Secretary WATT. It would be a waste of resources to put skimmers on the east coast when there is no production on the east coast.

Senator TSONGAS. There is no capacity, there is a signficant leadtime, and there are no plans to have other skimmers.

Secretary WATT. Why would you put a skimmer on the east coast if you don't have any production?

Senator TSONGAS. The whole point is you would hope you have these things in place before you begin those activities that could result in a blowout, a spill.

The whole point is you don't wait until there is a blowout and then say order me a skimmer and it will be delivered in 4 years.

If you are going to go now and explore, you are going to go with these kind of activities, I would think there should be in place a plan to have at least skimmers which are a minimal response mechanism in place. As I understand it, there is no such thing.

[Subsequent to the hearing the subcommittee received the following:]

NOV 9 1982

Honorable Lowell P. Weicker, Jr.
Chairman, Subcommittee on Energy,
  Conservation and Supply
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Senator Weicker:

Enclosed please find additional information requested at the oversight hearing before the Senate Subcommittee on Wednesday, September 8, 1982, on the Department of the Interior's 5-Year Outer Continental Shelf leasing plan.

Enclosure 1 has been prepared for insertion in the record at the points indicated thereon. Enclosure 2 provides an explanation of the difference between the information in enclosure 1, and testimony given before a House hearing on the same matter.

Thank you for the opportunity to provide this material to the Subcommittee.

Sincerely,

|S| Linda C Moore

for Theodore J. Garrish
Legislative Counsel

Enclosures

Enclosure 1

Page 58, Lines 1-5

There are currently eight skimmer units maintained at Davisville, Rhode Island, by a lessee/operator consortium, Clean Atlantic Associates. The U.S. Coast Guard Atlantic Strike Team, based at Elizabeth City, New Jersey, maintains 14 skimmers.

Page 58, Lines 23-25 and Page 59, Lines 1-3

The specific operator requirements in the North Atlantic area are as follows:

The North Atlantic area is in U.S. Coast Guard District One, and review and approval of company Oilspill Contingency Plans was performed jointly by members of the staffs of the District Commander and the District Supervisor of the Minerals Management Service.

Clean Atlantic Associates, an operator consortium, employs a contractor to train personnel from the drilling rigs and workboats, both in the classroom and hands-on. A list of all such trained personnel is furnished to our District office. The main equipment base is maintained at Davisville, Rhode Island, which is 225 miles from the drilling area. Since this distance precludes a response within the required 6 hours, certain minimum equipment is maintained by the operators on a rig or dedicated workboat at the most remote drilling location. The equipment based at Davisville consists of the following:

North Atlantic

2	Fast Response Units, Model 2
2	Offshore Devices, Inc., Barrier Skimmers
1	Kepner Sea Boom (1,000 foot)
2	Dracon Inflatable Barges (1,000 barrel capacity)
1	Helicopter Spray System
24	Bird Scare Guns
1	Radio Communication System

Mid-Atlantic

2	Fast Response Units, Model 1
2	Fast Response Units, Model 2
1	Kepner Sea Boom (1,000 foot)
1	Kepner Open-Sea Boom (1,476 foot)
1	Goodyear Open-Sea Boom (1,000 foot)
3	Boat Spray Systems
2	Helicopter Spray Systems
24	Bird Scare Guns
1	Radio Communication System

South Atlantic

Similar equipment previously maintained at Brunswick, Georgia, will be relocated at Morehead City, North Carolina, to provide a site close to future operations.

Enclosure 2

The information given in enclosure 1 is the latest available to reflect the response capability to a spill in the Atlantic. It varies slightly from the testimony of David C. Russell, Deputy Director, Minerals Management Service, before the House Subcommittees on Mines and Mining and Oversight and Investigations on September 28, 1982. He said the following:

> "As an example of the cleanup capability on the East Coast, there are, at present, four skimmers stored in Davisville, Rhode Island, to serve the North-Atlantic OCS. When operations are conducted in the Mid-Atlantic (next spring), three additional skimmers will be on site. When operations commence in the South-Atlantic (spring 1983), three additional skimmers will be stored in Moorehead City, North Carolina. In addition, every drill rig is required to have adequate response equipment nearby. For example, the only drill rig now in place in the North-Atlantic has two skimmers onboard."

The second sentence should read, "For operations conducted in the Mid-Atlantic, four additional skimmers are being stored on site." Mr. Russell's information was obtained on quick notice, thus accounting for the slight inaccuracy.

Secretary **Watt**. Well, we will have to check on that. Surely there is something because the biggest polluting factor today is oil-spills coming off the tankers coming in. That is the big danger if you are really concerned about the environment. You have got to be against the tankers that bring this in. That is where the huge spills come from, and that is where we are having the daily spill as they clean their bilges and as they move. That is the risk to the coastline.

The risk from Outer Continental Shelf drilling, exploration, drilling and production, is nowhere near as significant as is the risk from bringing in these tankers one after another. That is the environmental risk, and if there are absolutely some skimmers in place to handle that catastrophe, that is where your concern should be focused because that is——

Senator **Tsongas**. Do any of your exports——

Senator **Weicker**. Senator Bradley?

Senator **Bradley**. Getting back to the appeal, where we were cut off. I think it is relevant to the previous couple of questions, too, because the issue is how much can the Secretary of the Interior take into consideration certain economic factors in making a decision about whether or not to lease a particular area, particularly economic factors that affect a very significant fishing industry, both commercial and sport fishing?

In my State of New Jersey, that is a $1 billion industry. Now you rejected, or Under Secretary Hodel did, the Governor of New Jersey's argument that these things should be considered.

Secretary **Watt**. I did, yes.

Senator **Bradley**. Now why did you? And are you preparing to appeal the ruling of the court that came down yesterday and seek to confirm that you don't have to consider economic matters?

Secretary **Watt**. Taking the last question first, we await to see the written opinion before we make a final decision on the appeal.

I turned down the Governor's request because our ichthyologists and marine biologists advised me that the leasing and the potential placement of a drilling rig on the floor of the Atlantic Ocean a hundred miles off the coast of New Jersey was not going to have a detrimental or significant impact on the tilefish.

With regard to your first question, in the Gulf of Mexico where we have had a long history and a very, very successful history, we find that the sport fishermen are enthusiastic about the OCS program because the best sport fishing and thus commercial fishing as well is enhanced because of the rigs there.

Now you talk about a billion dollar fishing industry off the coast of New Jersey. The Gulf of Mexico has a much larger fishing industry, and we have found in that 20-, 30-year history there, that they are totally compatible. The ecosystem of the bayous of Louisiana and Texas is extremely fragile and extremely delicate and extremely important, just as your fisheries in New Jersey are, and there have been no damages there, no lasting damages. Spills, mostly very small, occur and have short-term and local effects but the history of the Gulf of Mexico is beautiful, and every year we learn and grow upon it and have a better program.

Senator **Bradley**. Mr. Secretary, I appreciate your response. My concern is the way I understand this process is going to treat environmental concerns. There is no real environmental analysis prior to the lease sale.

Secretary **Watt**. That is not true.

Senator **Bradley**. What takes place prior to the lease sale?

Secretary **Watt**. Thank you for asking that question. First of all, we have a backlog of now $320 million worth of studies. Under this new plan, we go out and we say this block of acreage is available, what are you interested in? And we will get some corporations saying we are interested in blocks 29——

Senator **Bradley**. We just had 564 blocks, 155 off the coast.

Secretary **Watt**. That is the old system. I want to talk about the new system. We will have the Defense Department come in, saying, you shouldn't do that, another group saying you shouldn't do that. We will look at all those issues, and then we will have an intensively focused study on the environment and an environmental impact statement will be written on the sale with the focus on those areas that have peculiar and specific interests.

Senator **Bradley**. Let's take your plan. You are going to do 200 million acres a year. In the last decade, 35 million acres have been leased, but you are going to do 200 million acres in a year. Because of the defense objections, this objection, that objection, you knocked out 50 million acres. You have now got to do an environmental impact study on 150 million. How do you do that?

Secretary **Watt**. Wouldn't it be wonderful if we had that kind of interest? Now the facts are we have never leased more than 2.2 million acres. We made available this last year 7 million acres, so while we may make available 200 million in a year, there is no indication that there would be—I hope that we can get 10 million leased.

Senator **Bradley**. How do you do the environmental impact statement?

Secretary **Watt**. Nixon had a program in 1973 to lease 10 million on the Outer Continental Shelf. I said on the record 2.2, so we will focus in on——

Senator **Bradley**. We are all for expeditious, efficient, environmentally sensitive OCS, but what we are not for is throwing leasing at the problem just as we are throwing dollars at the defense problem. That neither strengthens our defense nor does it improve our energy security. So the issue here is, how do you assure that you are going to do an environmental impact statement that is sufficient if you get a larger amount of leases out than you expect——

Secretary **Watt**. Or interest in leases?

Senator **Bradley**. Right. How do you have that capacity? You have also proposed to reduce the time of an EIS from 20 months to 8 months.

Secretary **Watt**. No, no, Senator. That is why we have so much confusion. That is simply a misstatement or misunderstanding.

Senator **Bradley**. Please correct the record.

Secretary **Watt**. It used to take up to 44 to 48 months to prepare for a lease sale. We will now do that in 22 months from the time of the call for information. However, preliminary presale planning, including work on EIS, will begin a year prior to the call.

Senator **Bradley**. GAO is wrong?

Secretary **Watt**. It wouldn't be, if that is what they said, it wouldn't be the first time.

Senator **Weicker**. Also so that we might get the record straight, Mr. Secretary, I am sure you understand that the oil, if there were oil discovered out of Georges Bank, the oil from Alaska is all tanker, so when you say that——

Secretary **Watt**. Say that again.

Senator **Weicker**. Any oil discovered on the Georges Bank is going to be tanker.

Secretary **Watt**. And so you still have——

Senator **Weicker**. Still have the problem that you raised, the oil coming, most of the oil coming into the category of polluting the water, coming from tankers. You don't lessen that risk of the Georges Bank or offshore Alaska.

Secretary **Watt**. That's a fair comment. That's right, and if the option is there, tankers are much more risky environmentally than are pipelines. If a sufficient reserve were found anywhere that would justify the economic expense for pipelines, we would want to encourage that because that is much sounder from an environmental perspective, much sounder.

Senator **Weicker**. Well, I have got enough to worry about insofar as the drilling of the Georges Bank without worrying about a pipeline from the Georges Bank.

Secretary **Watt**. That is not before us now. You don't need to fight that battle because they haven't found anything.

Senator **Weicker**. Now, unfortunately, we have found—I might add we have found this previous administration—testimony was given to us in our Boston hearings when an administration takes over, they take over everything, including the environmental safeguard.

I think the great concern still is here that those agencies that are charged with the responsibility of protecting the public insofar as environmental impacts are in fact silenced or do a perfunctory job.

Now why don't you describe just exactly where we sit on that point, and it gets really to the questions raised by the Senator from New Jersey, which is it is one thing to say that you have the capacity to lease a billion acres of land, but I think what is of concern to us is the capacity to environmentally monitor that operation and the capacity to go ahead and take care of any untoward incidences that relate to such a leasing. In other words, they haven't come up with the same speed of your desire to lease.

Secretary **Watt**. OK. We will not be leasing a billion acres. I would like to make that point. I have made it a zillion times.

Senator **Weicker**. You have made the point, but whatever is then taken out of that 1 billion still is a significant increase to what has been previously done.

Secretary **Watt**. We hope so. We certainly hope so.

Senator **Weicker**. Don't you think it then is incumbent if you are going to do that at the same time to turn to the administration, to your colleague agencies, and say it is going to be up to you to bring yourselves up to speed, whether it is NOAA or EPA or whoever is in charge of the environmental monitoring so that you can handle what we are proposing and to turn to the Coast Guard and the Department of Transportation and say it is up to you to bring yourself up to the speed that we are now setting which is completely new, and that unless that happens, unless all of you move together in terms of the environmental monitoring, in terms of safety precautions, that indeed then there is a great flaw to what it is you are doing even though your portion of the plan might be correct?

I don't agree to that, but I am saying assuming that yours might be correct, it is flawed unless these other parts also take place.

Secretary WATT. I do understand your question, and I don't share that philosophical approach. To do that would be a subsidy to the oil industry and I think the oil industry must have the primary responsibility for any cleanup costs and activity.

Senator WEICKER. I don't want to interrupt you, but let me say something to you, Mr. Secretary, and this has nothing to do with you. I wish you could have seen the response of the oil industry to our questions on the Ixotac I blowout in the Gulf of Mexico. I mean they were worse than the Mexican Government which wanted to go ahead and throw a cloak over any sort of environmental monitoring.

I don't think I am prepared, and I don't think my colleagues are, to place ourselves at the tender mercies of the oil companies to do the environmental monitoring.

Secretary WATT. Environmental monitoring?

Senator WEICKER. Monitoring.

Secretary WATT. I agree on monitoring. Are we talking about cleanup activities or monitoring? I approach it differently. I thought you were talking about the cleanup activity and that Congress has addressed, and that has not changed. There is an oilspill cleanup fund created that is paid for by the industry, and properly so, not the taxpayer. The fund has a statutory limit of $200 million, and it is fully subscribed at this time. That cost should be with the industry, not the taxpayers, for cleanup activity.

Now there is a Federal responsibility for monitoring, if that was the fourth dimension of your question, and we do put into our conditions of our leases, our permits, and our operating instructions, a requirement that monitoring be done in an extensive way and the report be made available. It is principally at the expense of the companies themselves. We try to spare the taxpayer these moneys and expenditures so that the companies pay for it. However, we also carry out our own selective environmental monitoring program of respensentative areas, designed to increase our understanding of environmental effects of OCS drilling.

Senator WEICKER. Senator Nickles?

Senator NICKLES. Just a couple of brief questions—one, back to this question, Mr. Secretary. I have heard three different Senators say you are going to lease a billion acres. Last year you leased how many acres?

Secretary WATT. 2.2 which was an all-time record.

Senator Nickles? 2.2 what?

Secretary WATT. Million acres.

Senator NICKLES. That was an all-time record?

Secretary WATT. An all-time high.

Senator NICKLES. If you open up say a billion acres for potential lease, you possibly hope to maybe be able to increase that, double, possibly maybe even triple it over a period of several years?

Secretary WATT. Yes, that's right, and we want to do that because we need the oil.

Senator NICKLES. So the environmental impact studies as such will only be for those that the leases are sought for and development is sought for?

Secretary WATT. That is correct, and Senator, you are asking the right question and the one that focuses the attention appropriately.

As you open up a block of land on the Outer Continental Shelf, you do the environmental impact studies on those areas within that block that are of special interest. Then 2 or 3 years later you come back and you offer that same block of land that hasn't been leased, and you still have that environmental impact statement, and it builds and it builds and it builds over time, so it is not as if you are starting from scratch.

We have $320 million of money invested into this knowledge, and you learn by it. We have learned and we are in good shape on it.

Senator NICKLES. There has been over 300 some million for environmental impact studies, and we have heard a lot of concerned people talking about the fishing industry. You mentioned in response to one of my earlier questions that really the only real development that we have on OCS is in the gulf coast.

What is happening to their fishing industry, has this been detrimental to the shrimping or crabbing or fishing industry?

Secretary WATT. It has enhanced it considerably. Sport fishermen really go for it. You see all the boats around the rigs and we are considering a program that is called, Rigs to Reef and if you leave the abandoned cutoffs that are safe for, so the nets won't tie up in it and the ships won't tie up, you may want to leave a rig out there so that that artificial reef is created. It enhances the fishery and the fishermen are aggressively for this program.

The only damage that is done to the fishing industry in this program is when debris is left on the bottom of the ocean and the nets snag in it or the draglines or other—I don't have all the terminology for sea fishing, but that is the problem. There has been no damage as a result of the Santa Barbara spill or Ixotac spill, no permanent damage, to the shellfish or the finfish or the mammals in those areas. I think that needs to be put into perspective. There have been no long-term damage to any of the fisheries—shellfish, finfish, or mammals, in those respective areas.

Senator NICKLES. Thank you very much.

Senator WEICKER. Senator Metzenbaum?

Senator METZENBAUM. Mr. Secretary, a good deal of our questions have dealt with the environment. You spent very little time on the whole question of fair market value.

As you know, the law requires the Department to lease in a manner that will assure receipt of a fair market value for the Federal lands that are leased. On April 19, you responded to Senator Jackson's question by saying that you would only get fair market value determinations on 38 percent of all the tracts for which bids are made. That means that for 62 percent of the leases there would be no such determination.

How do you explain that in view of the language of the law?

Secretary WATT. We are making a determination, Senator, that if there are three or more bids on a tract of land, that that is determined to be the fair market.

Senator **Metzenbaum**. But isn't it a fact that, with respect to at least some of that 62 percent, you are accepting a single bid or that you are accepting a single bid where there has been no fair market value determination?

Secretary **Watt**. No.

Senator **Metzenbaum**. Are you sure about that?

Secretary **Watt**. Let me check with my staff. Let me hazard a guess as I will get corrected. If there are three bids on a tract, that is presumed to be a fair market bid.

If there is a single bid, or two bids, we then do the analysis. We will select some of those to be sure that we are within the ranges rather than do the exhaustive study on each individual one of those, but you can see where you are in relative values.

Senator **Metzenbaum**. Wouldn't you agree, Mr. Secretary, that plays into the hands of the political fixers? You make a bid. You are the single bidder. You bid whatever millions of dollars. If you have the right lawyer and you have the right intercession at the Department, with no suggestion that anybody is doing anything venal, but the fact is that there is a good chance that you will not come out with the public interest being served, and when you are talking about such large amounts of dollars, it is not impossible to contemplate that might happen?

Secretary **Watt**. I don't share that view at all. There are so many safeguards in it.

Senator **Metzenbaum**. What safeguards?

Secretary **Watt**. In the way we approach this situation.

Senator **Metzenbaum**. What safeguards? Tell me. You tell me where there are safeguards. I came from the business world. I know that if I had a single bid, I would be worried about whether somebody down the line wasn't playing some games with the people who made the bid.

You say the law says you must have a fair market determination. You say that you do that if you have three bids, but if there was only one, we go back and we start to look it over again, try to make a determination.

What safeguards do you have?

Secretary **Watt**. Let me call on Bob Rioux to supplement those answers.

Senator **Metzenbaum**. Smart time to turn it over.

Secretary **Watt**. I thought so.

Mr. **Rioux**. We haven't finalized that three-bid rule, sir. We will use some objective criteria to make a screen for competition. If we were to use a bid rule of that type for acceptance, we would be looking at discounting any noise bids that would be offered or bids that are simply spread across the board. It would be three valid bids, but we have not decided on this method, we are still testing that, and we will test it over at least the next two sales.

Senator **Metzenbaum**. The three-bid rule is not in effect?

Mr. **Rioux**. It is not concluded. We are doing a shadow test.

Secretary **Watt**. I told you I would be corrected if I got off base. We have put it into effect in a shadow test and will look back to compare it and see if it works out.

Senator **Metzenbaum**. Now have you awarded any leases without three bids being received or having made a prior fair tract value?

Mr. Rioux. We have in each case done a fair market value.

Senator Metzenbaum. After the fact?

Mr. Rioux. We do that presale.

Senator Metzenbaum. What I am asking you is have you awarded any contracts, any leases, where there was not a preexamination, presale determination, fair market value determination, you didn't receive three bids, and have you then awarded the lease anyhow?

Mr. Rioux. We have always done a presale evaluation prior to the consideration.

Senator Metzenbaum. Sixty-two percent of the time, 62 percent of the instances you do not plan to do presale determinations according to the response to Senator Jackson. You can't say you always do it.

Mr. Rioux. We do them. In the first instance it identifies whether there is a structure.

Senator Metzenbaum. You are not answering my question.

Mr. Rioux. We will accept the minimum bid.

Senator Metzenbaum. Where you have not done a presale market determination and you have not received three bids, are there any instances in which you have awarded the contract?

Mr. Rioux. No.

Senator Metzenbaum. Are you sure?

Mr. Rioux. Senator, we do a presale evaluation. That evaluation may determine that we see no evidence of a structure on that tract.

Senator Metzenbaum. You have already said you only do it in 38 percent of the time. I am not clear. I am not trying to badger you. You do it. The facts are you said you don't do it.

Secretary Watt. Let me clarify that. I have been briefed. Bob is responding to you from historic perspective. The answer is there has never been, just as he has said.

Now we are having right now studies being carried out for the alternative situation. As is referred to in the letter there, that has not yet been implemented, but we do a look-back audit type trial to see if those systems would work, but that program that Don Hodel has referred to in the letter that I think you have quoted, that is under advisement and consideration now. That has not yet been adopted, so you are talking about a potential future, and Bob is talking about the actual experience.

Senator Metzenbaum. I am asking only one question. Have you made any awards of leases where you have failed to do a pre-sale fair market value determination?

Secretary Watt. And the answer to that is no.

Senator Metzenbaum. Then how do you explain the fact that in 62 percent of the cases you have not made a fair market value?

Secretary Watt. If you would read that letter, Senator, I am confident you would find that is talking about prospective, that we are contemplating for future instances.

Senator Weicker. Senator Tsongas?

Senator Tsongas. In other words, if there is interest in the particular acreage, there will be a pre-sale evaluation done?

Secretary Watt. That is the way it is now. Under the old system that is the way it was done, and we are anticipating that that might not be the best public policy and are considering other options.

Senator TSONGAS. What do you use as the base to know whether the bid is acceptable?

Secretary WATT. We need to draw the line. We are talking about future situations?

Senator TSONGAS. Yes.

Secretary WATT. OK. First of all, if there are more than the three, the tentative thinking and Bob can correct me, it hasn't been adopted, what we are looking at is a program whereby if you had three bids on a tract, you would presume that it was a fair market bid unless you found, of course, and there was an audit and there was noise, is the phrase you used—that is a new phrase to me. The tough ones come where you don't have the three legitimate bids, and in that situation, we have different programs we are experiencing now or studying now to make a resource evaluation, and the formulas are carried out by those guys that work in it.

Am I getting close to what you are asking about? If not, let's go down another avenue. I am not sure I am responding to you.

Senator TSONGAS. It doesn't sound to me like you really have it in place.

Secretary WATT. OK. We have communicated. That is correct.

Senator TSONGAS. We have communicated. The answer is not all that satisfactory. It would be nice to have an idea of what you are going to do. You must have some notion.

Secretary WATT. And we have been talking about that. We are testing these various things. If you want us to have a discussion on the different methods we are testing, we are prepared to discuss that with you right now. Do you want to go into that, Senator?

Senator TSONGAS. Yes. Let me just do one thing and then the remainder of my time you can answer the question.

Mr. Chairman, there were two letters sent to the Secretary, one on July 9 and the other July 12 by Members of the Congress, and there was an answer sent to me, I suspect the same to other Senators as well, on July 21, and I would like them both to be made a part of the record.

Senator WEICKER. So ordered.

[The letters follow:]

Congress of the United States
House of Representatives
Washington, D.C. 20515

1982 JUL 15 PM 3:10

July 9, 1982

The Honorable James Watt
Secretary
U.S. Department of the Interior
Washington, D.C. 20240

Dear Mr. Secretary:

We wish to express our deep concern with your plans for the five-year oil and gas leasing program on the Outer Continental Shelf (OCS). Many of us in Congress feel that the procedure and goals of the program are contrary to the best interests of our country. The OCS leasing plan you now support seriously undermines legislation passed by the Congress to assure efficient development of our natural resources while protecting the environment.

All the legislation relating to exploitation of the OCS has been based on the premise that adequate additions to our nation's energy inventory can be achieved without jeopardizing the fragile coastal environment and without restricting the vitality of the diverse industries which depend on our ocean resources.

The OCS plan you have endorsed fails to appreciate this premise. It consistently underestimates the potential for significant damage to the environment. It precludes the appropriate and mandated participation of the states which will be directly affected by OCS leasing. It invites and unnecessarily encourages costly and time-consuming opposition by seeking to circumvent or ignore established procedures to bring about consensus on controversial points.

As the controversy around and criticism of your OCS program have increased, it is especially regrettable that you have twice declined to appear before joint subcommittee hearings held by Chairmen Markey and Santini to explain your program. In contrast to your reticence, articulate and highly-qualified critics of your plan have provided ample reason for Congress to have grave reservations about the wisdom and motivations of the OCS five-year leasing plan. These critics have included citizen groups, technical experts, and representatives of all of the states who have a direct interest in protecting the United States coastline from misuse. Despite criticism submitted for the record on this issue, changes resulting from these critiques have been superficial and cosmetic.

Mr. Secretary
Page Two
July 9, 1982

Major legislation relating to the leasing of the OCS has been subverted in the process by which you have sought approval and implementation of your five-year plan. The proposed program does not comply with the Outer Continental Shelf Lands Act Amendments of 1978: it fails to define the areas being offered for lease as precisely as possible; it fails to appreciate the environmental sensitivity of different areas covered by the plan; and it fails to assure fair-market value compensation to the federal and state treasuries in return for industrial exploitation of public resources.

You have not shown that the leases scheduled in the plan meet the consistency rule of the Coastal Zone Management Act. You have repeatedly maintained that elements of your program will not "directly affect" a state's coastal zone despite federal court rulings and a congressional resolution to the contrary. You have virtually ignored the positions of the individual states regarding your OCS plan. Every state which testified before the joint subcommittee hearings held by Chairmen Markey and Santini indicated that communication from your office on the controversial provisions of the OCS plan was not backed up by meaningful changes.

As Secretary of the Agency responsible for protecting our natural resources under the provisions of the laws passed by Congress, we ask you to take several immediate steps. First, bring your OCS plan into full compliance with the intent and letter of the Outer Continental Shelf Lands Act of 1978. Second, guarantee that lease sales conducted under the plan are consistent with state coastal zone management objectives, as required by the Coastal Zone Management Act. Third, promote a genuine and meaningful "good neighbor" policy with the affected states. Finally, provide Congress with the benefit of your personal views on these and other issues through committee testimony and other direct forms of communication.

We appreciate your attention to the concerns addressed in this letter.

Sincerely,

Ted Kennedy
Edward M. Kennedy
U.S. Senator

Ed Markey
Edward J. Markey
U.S. Representative

Paul E T
Paul E. Tsongas
U.S. Senator

Mr. Secretary
Page Three
July 9, 1982

Don Bonker
Don Bonker
U.S. Representative

Alan Cranston
Alan Cranston
U.S. Senator

Augustus F Hawkins
Augustus F. Hawkins
U.S. Representative

Phillip Burton
Phillip Burton
U.S. Representative

Mervyn M. Dymally
Mervyn M. Dymally
U.S. Representative

Nicholas Mavroules
U.S. Representative

Pat Williams
Pat Williams
U.S. Representative

Austin J. Murphy
Austin J. Murphy
U.S. Representative

Robert T. Matsui
Robert T. Matsui
U.S. Representative

Julian C Dixon
Julian C. Dixon
U.S. Representative

Jerry M Patterson
Jerry M. Patterson
U.S. Representative

George Miller
George Miller
U.S. Representative

Pete Stark
Fortney H. Stark
U.S. Representative

Jim Weaver
James Weaver
U.S. Representative

Sam Gejdenson
U.S. Representative

Barney Frank
Barney Frank
U.S. Representative

Joe Moakley
Joe Moakley
U.S. Representative

Tony Beilenson
Anthony C. Beilenson
U.S. Representative

Edward R. Roybal

Edward R. Roybal
U.S. Representative

Don Edwards

Don Edwards
U.S. Representative

George E. Brown, Jr.
U.S. Representative

Thomas P. O'Neill Jr.

Thomas P. O'Neill, Jr.
U.S. Representative

John L. Burton
U.S. Representative

Henry A Waxman
U.S. Representative

James J. Howard
U.S. Representative

James D. Santini
U.S. Representative

TOBY MOFFETT, CONN., CHAIRMAN
FLOYD J. FITHIAN, IND.
MIKE SYNAR, OKLA.
TOM LANTOS, CALIF.
EUGENE V. ATKINSON, PA.
BARNEY FRANK, MASS.
BARBARA B. KENNELLY, CONN.

JOEL DECKARD, IND.
JOHN HILER, IND.
JUDD GREGG, N.H.
MICHAEL G. OXLEY, OHIO

MAJORITY—225-6427
MINORITY—225-2736

NINETY-SEVENTH CONGRESS
Congress of the United States
House of Representatives
ENVIRONMENT, ENERGY, AND NATURAL RESOURCES
SUBCOMMITTEE
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
RAYBURN HOUSE OFFICE BUILDING, ROOM B-371-B-C
WASHINGTON, D.C. 20515

July 12, 1982

Honorable James G. Watt
Secretary
Department of Interior
18th & C Streets, N.W.
Washington, D.C. 20240

Dear Secretary Watt:

The orderly development of oil and gas resources on the Outer Continental Shelf is a vital national interest. Pursuant to that interest the Congress required in the OCS Lands Act Amendments (OCSLAA) of 1978 that the Administration prepare a five-year OCS plan to ensure that exploration and development occur in an orderly and environmentally safe manner. We have reviewed your revised five-year plan for OCS development and seriously question whether it defines a program that can be carried out with the proper environmental safeguards as required by law. We also have serious questions concerning the fair market return to the public that will ensue from this program.

The following problems with your five-year program must be addressed before this plan goes forward:

1. The Department of Interior has failed to give serious consideration to objections made by virtually every coastal state on the size, timing, and location of lease sales off their coasts. Furthermore, Interior has attempted to minimize states' ability to have a meaningful partnership with the federal government over the manner and scope of development off their coasts. The Administration's failure to address the concerns of the states e.g. OCS air quality, pipeline use and tanker transport prohibitions, and its attempts to minimize state input have resulted in increased litigation against the Department of Interior, further delaying a program already behind schedule.

2. A primary concern of the states which we share is that the new area-wide offerings place an excessive burden on agency field staff. The offering of entire planning areas severely limits the staff's ability to gather and analyze, prior to leasing, sufficient detailed information concerning environmental and marine life effects as well as the on-shore impacts of oil and gas exploration and production. Likewise, both

government and industry will be strained to collect adequate and accurate pre-lease information on available oil and gas reserves and geologic hazards. These area-wide offerings and the accompanying abandonment of tract-specific analysis of environmental risks, will make it difficult to meet the requirements of the National Environmental Policy Act; similarly, it is questionable whether the requirements of the OCSLAA to balance energy production with environmental and other concerns can be met. The U.S. Geological Survey should continue to provide site specific resource estimates and geohazard information. The present environmental studies program must be preserved and strengthened.

3. The plan does not adequately consider other very important coastal resources dependent upon healthful natural ecosystems, nor does it thoroughly examine potential effects from OCS drilling and production operations on the economies of businesses related to those resources. Specifically, the program does not provide adequate protection for the fisheries of Georges Bank, the commercial and sport fisheries and tourist industries of California and Oregon, or the fisheries of Alaska. The plan tends to understate and in some cases ignore the likely technological limitations of industry for exploring and developing frontier areas when faced with many new and unfamiliar challenges.

We urge you to revise your streamlining OCS program so that information necessary for informed decision-making is available prior to each lease sale.

Moreover, the streamlining procedures which shorten the leasing process in frontier areas from an average of 44 months to 24 months will not allow sufficient time for states and local governments to collect and analyze information so that they can plan for the on-shore impacts of development and so that environmentally sensitive areas can be adequately protected.

4. The program fails to provide sufficient time to analyze the information generated by the first sale in a particular area before reentry is permitted in a second sale. Most areas will experience second leases in two years. This timing problem is particularly critical in the many frontier areas being offered for lease, where little data already exists on the environmental sensitivity or hydrocarbon potential and value of those areas. It will be impossible, for example, to gather sufficient information from the first sale at Georges Bank. As the Massachusetts delegation has pointed out, two and one-half years after that sale more time is still needed to obtain and analyze environmental information before the next lease sale is held in the North Atlantic.

Honorable James G. Watt
Page Three
July 12, 1982

5. Finally, on economic grounds we question the wisdom of offering virtually the entire coast of the United States for sale in just five years. At a time when the oil market is glutted and the price of oil is depressed, it is folly to make available the entire Outer Continental Shelf. Lease bids will be driven down by present oil market conditions, by the huge increase in the number of tracts offered, and by the inability of industry and Interior to analyze accurately the potential of these huge areas. The Department's decision to turn fair-market value determinations over to the "market" under such conditions only increases the likelihood that the public will not realize a fair return.

All of these concerns have already been expressed to the Department of Interior by the coastal states and other interested parties. We believe that your proposed plan lacks the Congressionally-mandated balance between potential environmental and coastal impacts and resource development. We urge you to reconsider this misguided and unnecessarily hasty program in light of the many objections that have been raised and to withdraw it in favor of a more realistic, environmentally sound and fiscally responsible one.

Sincerely,

Toby Moffett
TOBY MOFFETT

Don Bonker
DON BONKER

Don Edwards
DON EDWARDS

Phillip Burton
PHILLIP BURTON

Henry A. Wax
HENRY A. WAXMAN

Barney Frank
BARNEY FRANK

LEON PANETTA

NORMAN Y. MINETA

John L. Burton
JOHN BURTON

Al Swift
AL SWIFT

Jim Weaver
JAMES WEAVER

Tom Lantos
TOM LANTOS

Barbara B. Kennelly
BARBARA B. KENNELLY

George E Brown
GEORGE E. BROWN, JR.

Thomas J Downey
THOMAS J. DOWNEY

Bill Ratchford
WILLIAM RATCHFORD

Tom Foglietta
THOMAS FOGLIETTA

SAM GEJDENSON

Les AuCoin
LES AUCOIN

Ron Wyden
RON WYDEN

JAMES SCHEUER

United States Department of the Interior
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

'82 JUL 23 PM 3:16

July 21, 1982

Honorable Paul E. Tsongas
United States Senate
Washington, D.C. 20510

Dear Senator Tsongas:

Last week was historic.

1. Iran invaded Iraq, threatening the delivery of crude oil so desperately needed by the consumers of the free world.

2. Israel was embroiled in a war concerning her own survival and a liberated Lebanon.

3. The Reagan Administration adopted a 5-year plan for exploring and developing the oil and gas reserves of the Outer Continental Shelf. Congress was given full opportunity to alter, change, or correct the plan and chose not to do so. In fact, not one subcommittee voted against any of the provisions let alone the entire plan. The carefully crafted plan will improve our national security, enhance our quality of life and environment, create jobs, and help America meet her commitments made in the Camp David Accords as well as commitments made to other foreign countries.

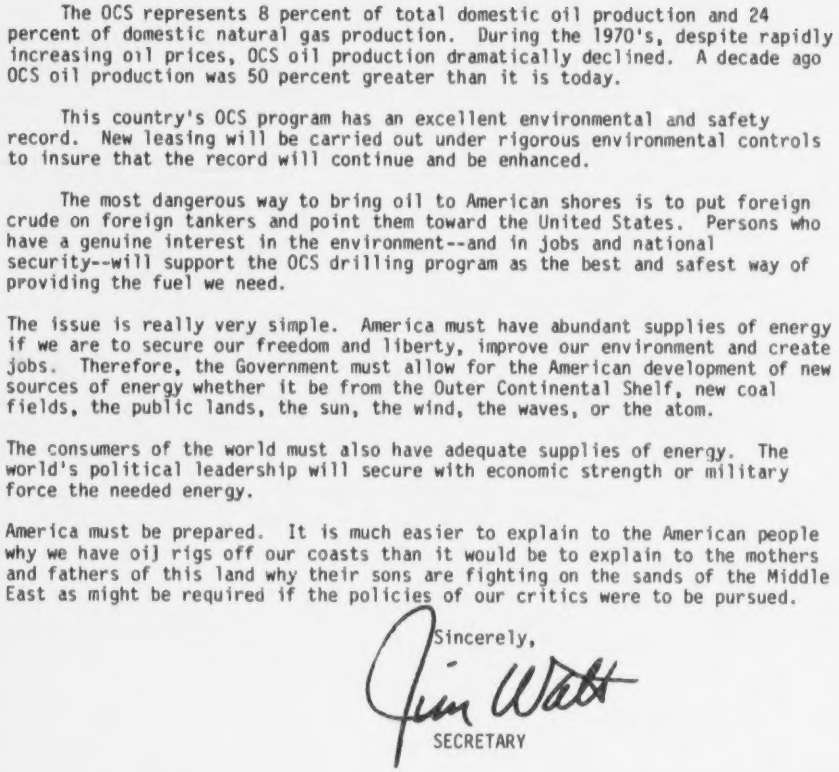
4. You, along with several other Democrat Senators and Congressmen, wrote a letter harshly criticizing our 5-year plan to reduce America's dependence on foreign, unstable and sometimes hostile suppliers of energy as if the consumers of America did not matter, as if the freedom of Israel were not important, and as if there were no concern about peace or war in the Middle East.

While I cannot understand or interpret your motives, let me give you a few facts:

The fact is that America is a huge user of energy much of it imported from unsecure foreign sources. Fossil fuels supply most of the energy this Nation must have for national defense, transportation, heating, jobs, and recreation.

The only alternative to our increased dependence on foreign fuel is to find increasing quantities of such fuels within and near our own shores and that is why we have an Outer Continental Shelf (OCS) program in conjunction with onshore leasing activities.

Eighty-five percent of America's untapped oil wealth is on publicly owned lands, two-thirds of that is offshore and much of the new oil is expected to be found off Alaska's coast.



The OCS represents 8 percent of total domestic oil production and 24 percent of domestic natural gas production. During the 1970's, despite rapidly increasing oil prices, OCS oil production dramatically declined. A decade ago OCS oil production was 50 percent greater than it is today.

This country's OCS program has an excellent environmental and safety record. New leasing will be carried out under rigorous environmental controls to insure that the record will continue and be enhanced.

The most dangerous way to bring oil to American shores is to put foreign crude on foreign tankers and point them toward the United States. Persons who have a genuine interest in the environment--and in jobs and national security--will support the OCS drilling program as the best and safest way of providing the fuel we need.

The issue is really very simple. America must have abundant supplies of energy if we are to secure our freedom and liberty, improve our environment and create jobs. Therefore, the Government must allow for the American development of new sources of energy whether it be from the Outer Continental Shelf, new coal fields, the public lands, the sun, the wind, the waves, or the atom.

The consumers of the world must also have adequate supplies of energy. The world's political leadership will secure with economic strength or military force the needed energy.

America must be prepared. It is much easier to explain to the American people why we have oil rigs off our coasts than it would be to explain to the mothers and fathers of this land why their sons are fighting on the sands of the Middle East as might be required if the policies of our critics were to be pursued.

Sincerely,

Jim Watt

SECRETARY

Senator **Tsongas**. I would like to read one paragraph in the Secretary's letter. This is point four. "You along with several other Democrat Senators and Congressmen . . ." I can imagine somebody in the bureaucracy going through this letter and saying you know, all these people are Democrats.

Secretary **Watt**. There wasn't anybody in the bureaucracy that did that. I did it.

Senator **Tsongas**. That's even worse, but anyway, "* * * several Democrat Senators and Congressmen wrote a letter harshly criticizing our 5-year plan to reduce America's dependence on foreign and unstable and sometimes hostile supplies of energy as if the consumers of America did not matter, as if the freedom of Israel were not important, and as if there was no concern about peace or war in the Middle East. While I cannot understand or interpret your motives," et cetera, et cetera.

I would just like that to be in the record if people wonder why sometimes we have trouble communicating.

Senator **Weicker**. That is not the letter that was sent opposing the plan that was signed by others? I mean I sent it. We sent a "Dear Colleague" letter opposing the plan that was signed by Senator Hollings and myself and Senator Cranston, Mathias, Coleman, and Mitchell.

Senator **Bradley**. Bipartisan.

Senator **Weicker**. I get accused of being a Democrat too often anyway. I don't really want to go ahead and have this all-encompassing statement that flies in the face of facts.

Senator **Metzenbaum**. That's not too bad these days.

Secretary **Watt**. As one good conservative Republican, I fully support you in your reelection bid, Senator. That may hurt you.

Senator **Bradley**. Mr. Secretary, would you mind endorsing the Republican candidate in New Jersey?

Senator **Tsongas**. I knew that Moffet's campaign needed a boost. I think he just got it.

Secretary **Watt**. He has been running against me for 2 years anyway, so big deal.

Senator **Weicker**. Go ahead.

Senator **Tsongas**. Now that the endorsements have been taken care of, I wonder if I could get an answer to my question on the bidding process.

Clearly the impression I have is that there is a plan in place. There must be some notion as to how the revenues are going to be generated to maximize the return to the taxpayer, and they are what?

Mr. **Rioux**. If I may go back, sir, in the past we have selected tracts in advance, decided which ones would be offered specifically. The amount of acreage offered was limited.

Senator **Tsongas**. I know how it was done in the past.

Mr. **Rioux**. We evaluated each tract prior to the sale.

Senator **Tsongas**. I understand.that.

Mr. **Rioux**. With the offering of whole areas, we are attempting to streamline the process by focusing the evaluations only on those tracts that are bid upon because in the past by evaluating all tracts in the sale, of necessity having to start that process early, we wasted the effort of evaluating all tracts that weren't bid upon which in many cases was the majority of the tracts in the sale.

In this system, postsale, we would evaluate those tracts which were bid upon.

Senator **Tsongas**. All the tracts bid upon?

Mr. **Rioux**. We would focus that by using a three-phase process. The first phase would take into account competition and an allowance for competition, and honor that part of the fair market value statement which includes the word "market", that is, consideration of what market forces would offer in a competitive environment.

The second screen would be an attempt to focus that further by using a comparative analysis, that is, an analysis in which one makes comparisons with other tracts that have been accepted, which have been deemed to have clearly indicated an adequate competition, and therefore are acceptable, and that method is one that we are testing now. We will be doing a shadow test on various methods of comparative analysis in the next two sales.

If we still aren't satisfied by those first two screens, competition and comparative analysis, we will continue to do the complete discount of cash flow type detailed fair market valuation prior to rejecting the tract, and so we will do exactly the same system as we have in the past, and that is our ultimate safeguard, but it is a screening-down process.

Most bids, if you follow these, in the past have been greatly in excess of our fair market valuations on the large prospects. The company bidding has exceeded the value we have placed on those very good prospects out there by far.

Senator **Weicker**. Let's go to Senator Bradley.

Senator **Bradley**. Mr. Secretary, let me get this procedure down so that I understand it clearly, and I would like to ask a question.

Under the new system, you make 200 million acres available. People decide whether they want to bid or not. They bid. Say they bid 1 acre, 1,000 acres, 1 million acres. Those million acres then have an EIS done, right?

Secretary **Watt**. Correct.

Senator **Bradley**. OK. What is the largest number of acres in any 1 year to date that an EIS has been done?

Secretary **Watt**. 7.3 million acres.

Senator **Bradley**. An EIS has been done on about 7.3 million acres in 1 year?

Secretary **Watt**. Yes.

Senator **Bradley**. OK. Now your record last year was that, of the acres offered, roughly 28 percent of the acres offered were leased, 2.2 million out of 7.6 million. Now 28 percent of 200 million acres, you know, you can make some rough changes, but 28 percent of 200 million acres is 56 million acres.

Now assume you are off by half; that is 25 million acres that you are going to have to do an EIS on. The most that you have ever done an EIS on is 7 million acres.

Why should we think that you are going to do a thorough EIS, that you have the resources to do a thorough EIS?

Secretary **Watt**. We do have the resources, and we have a library and a backlog of over $320 million worth, and those are cumulative. You only have to do the tidal studies, and the wave, ocean motion studies, once, if you do them right, and it is good for each time you put the lease out. You don't have to re-invent the wheel each time. We have a backlog. Also, we won't do one EIS per year, but one on each sale, or about eight each year. The acreage studied will be divided and covered by eight separate EIS's.

Senator **Bradley**. For all 564 tracts, for all 564 tracts that were offered off the Eastern Seaboard, 155 off the coast of New Jersey, you will only do one ocean wave study?

Secretary **Watt**. For each area.

Senator **Bradley**. For each area; you mean 564 studies?

Secretary **Watt**. When that comes up for the second time 2 years later, we don't need to redo a wave study, do we?

Senator **Bradley**. You will have to do a different study for each of the tracts, or do you do the same study for all 564?

Secretary **Watt**. If I am following——

Senator **Bradley**. Your point is that you don't have to worry about the fact that we are going to have 56 million potential acres to do an EIS on even though we have only done 7 million maximum in any one year. You don't have to worry about that because one study will be good for all?

Secretary **Watt**. I am not saying that. I am not saying one study is good for all. Let's get that clear.

Senator **Bradley**. That is what I want to get clear. Maybe you can go one, two, three, four.

Secretary **Watt**. I think I have, but let's do it again. With each area, the wave patterns are going to be different within a 20 million area that is up, and so we will look to each of those specific tracts, and there will be patterns that unfold. Once the wave motion, wave motion study, what do we call it, whatever it is called———

Senator **Bradley**. Which is a part of an EIS?

Secretary **Watt**. Which is a part, that is correct.

Senator **Bradley**. What part?

Secretary **Watt**. One part.

Senator **Bradley**. How many parts are there would you say?

Secretary **Watt**. The book is that thick.

Senator **Bradley**. It is very thick, in other words. Maybe we shouldn't even talk about wave motion since it is such an insignificant thing. Maybe you can just answer the general question about how can you do an EIS on 56 million acres annually when the maximum number of acres that you have ever done an EIS on is 7 million acres.

Secretary **Watt**. We have already done an EIS on probably 50 million acres.

Senator **Bradley**. Over a decade?

Secretary **Watt**. Yes, and so—here is our EIS expert.

Senator **Weicker**. Will you please introduce your colleague?

Mr. **Truesdell**. I am Donald Truesdell with the Minerals Management Service. I have been in charge of preparing EIS offshore for approximately 7 or 8 years.

As the Secretary said, we have a library of them, including all the Atlantic coast, the Gulf of Mexico, the Pacific coast, and several areas off Alaska.

Senator **Bradley**. Those are EIS for specific tracts that are issued. Again in those seven tracts that Governor Kean in New Jersey wanted deleted, since they were offered in the past, you already had had an EIS done on that, is that it? So even if they were leased, you wouldn't have to do another EIS? Is that the idea?

Mr. **Truesdell**. That's right. If you look at any one of the EIS, you will see it starts with a much larger area because we have to look at a larger area because of fishing through the different areas, the wave patterns, and the currents.

Senator **Bradley**. In 10 years you have accumulated 50 million acres of EIS?

Mr. **Truesdell**. We have much more than that really.

Senator **Weicker**. Finish your response.

Mr. **Truesdell**. Now what we will do in the future is instead of zeroing in in the last stage of the EIS on the specific narrow, group of tracts, we will include tracts that industry has expressed interest in, which will be a larger group of tracts.

Then after these tracts are leased, we will do a detailed study in the development stage of the process.

Senator **Weicker**. Mr. Secretary, it is my intention because I know that you have been fair with your time to bring this hearing to an end in the next several minutes.

Senator **Metzenbaum**. Will we not have one more chance?

Senator **Weicker**. Yes, a very brief chance; there is a question I would like to ask now. Mr. Secretary, section 18 of the Coastal Zone Act—I beg your pardon—the OCS Act, states:

> The Secretary shall select the timing and location of leasing to the maximum extent practicable so as to obtain a proper balance between the potential for environmental damage, the potential for discovery of oil and gas, and the potential for adverse impact on the Coastal Zone.

Now my problem here today is that I feel you certainly have fulfilled one of the important things; that is, to select so as to obtain the potential for discovery of oil and gas. I have no doubt about that, but I think it is very clear, at least to me, that the balance of the potential for environmental damage and the adverse impact on the coastal zone has not been tended to, and I find it difficult when the budgets are being cut back in terms of environmental monitoring, when the budgets are being cut back and as far as the Coast Guard is concerned none of these have the capacity to handle anything that has been contemplated here, and believe me, I don't think that will be the case in the future.

It is on that basis, not on the basis that you have performed your role for discovery of oil and gas, that I will continue to pursue as best I can the blocking of the legislative, of what it is that has been proposed here.

Senator **Bradley**. He can do it pretty well, Mr. Secretary.

Senator **Weicker**. Is there a positive way out? I think there is. I think there is to the extent of assuring us of the capacity to respond to the emergency situation, which capacity we don't have today, the capacity to properly environmentally monitor such as the Senator from New Jersey has indicated. If those are in place per direction, per direction of the Outer Continental Shelf Act, then I have no difficulty at all. If that happens, I will go my way, you go yours, and hopefully if we do, we will be able to put something together here that makes sense both from an energy point of view and protection of our ocean resources.

Senator Metzenbaum?

Secretary **Watt**. May I respond to that, Senator?

Senator **Weicker**. Yes. I'm sorry. I beg your pardon.

Secretary **Watt**. I have every confidence that you or your staff will take the time to review the stringent environmental conditions and the stringent monitoring requirements that we place on the leaseholders before they can do anything.

You would be thrilled and satisfied that what we are doing does bring into balance, as the statute requires. We have done it with care and let me just emphasize, with those resource planners, those that have the environmental responsibilities in the Federal Government and in the State government. We have met their objections. We have satisfied their concerns, and I will emphasize that by the fact that this process through which, about which we are talking, has been circulated for 19 months with tremendous input from all of the resource people. All the States have been involved. We have had all their ichthyologists, their marine biologists, their geological people, their earthquake people. Everybody has had input, and we have worked out these conditions to such a degree that all of the States and their resource people plus the Federal agencies have supported this program with the exception of two, and that is California and Alaska. We have worked out the agreement with Alaska and maybe I will put into the record, in fact, I would ask permission to put in the record a news release that went out yesterday dealing with the major new frontier sales that we will hold on October 13th for Governor Hammond.

Nobody could ever criticize Governor Hammond for not being an environmentalist. Being very sensitive to this, he and I have worked out all of the safeguards that he felt were necessary to protect drilling in the Beaufort Sea which is North Pole, U.S.A., with all the extreme hazards, the Bowhead Whale, the ice flows, and all that.

He is satisfied. We have met those conditions. There is balance as the statute requires, and if you look to the record, it is there. You have to look to the leases, the operation, operating permits and the conditions that are put on those instruments. It is well documented. It is a good program with an outstanding record, and what is neglected as I see by this exchange, is that I have not done a good job in educating and informing. We have done well with the Governors. They understand, but I have not done well here obviously, and I invite your staff to read those documents and they will be satisfied.

I say that with assurance because all the other State people have been, and other Federal agency people have been.

Senator **Weicker**. Senator Metzenbaum?

Senator **Metzenbaum**. Mr. Watt, Mr. Rioux, did you change the tentative plan with respect to bidding from the one that originally was sent to the Vice President? Did you change it?

Mr. **Rioux**. I think it is basically the same plan. That plan talked about a three-phase screening process. It said we would give comparative evaluation, the second screen after we tested it and validated it, and if tested and validated successfully, we would intend to use it.

We are in that testing period, sir, in the next two sales.

Senator **Metzenbaum**. I want you to know that whether deliberately or unintentionally, you have misled the committee because I now have before me the tentative plan which talks about acceptance of high bid. First of all, it talks about shifting the final tract evaluation to the post-sale period. Now that is in both of them, but in the tentative one, you talk about acceptance of high bid on tracts receiving three or more bids, but when the final language comes through, you don't mention anything about three or more bids. That is totally eliminated—acceptance of high bid on tracts receiving bids.

Now how do you explain that you have just told us 15 minutes ago that you would require three bids or else you would not proceed forward?

Mr. **Rioux**. I said, sir, that was changed from the tentative to the proposed final, and we are reconsidering that and we are testing that, the phase one.

Senator **Metzenbaum**. Right now the thing that is in effect says you don't need three bids, and right now you don't need a predetermination. You don't even need a postdetermination.

Mr. **Rioux**. No, sir. We are using the presale evaluations.

Senator **Metzenbaum**. It says here you use postsale evaluations.

Secretary **WATT**. Senator, let's back off this thing and start again.

Senator **METZENBAUM**. OK. The law says that you have to have——

Secretary **WATT**. Until we adopt the change, we are going on the pre-sale evaluation. Bob Rioux testified to that repeatedly this morning.

Senator **METZENBAUM**. Didn't you say this is already adopted as of July? You said it is in effect in July.

Secretary **WATT**. With the exception of what Bob Rioux has been testifying repeatedly to you this morning, and that is that on this issue, we are continuing with the old system of pre-bid evaluation and testing out these variables through the next two or three sales.

Senator **METZENBAUM**. That is because he is doing it, not because your regulations require it, not because this proposal you sent to Congress requires it.

Secretary **WATT**. To the contrary—it is spelled out in that document.

Senator **METZENBAUM**. Show me where. Show me where it says anything about three bids. Take this down to the Secretary. Show me where it says three bids. Here is the tentative one. That does call for three bids.

Secretary **WATT**. Let Bob Rioux explain it to you again.

Senator **METZENBAUM**. You tell me it is in this. I ask you to show me where it is.

Mr. **RIOUX**. Following comments on the tentative, when we put out the proposed final, we did not say that we would use three bids as an absolute rule. We decided to test that, to go back and try and validate that, as well as the comparative system, and see if that should be adopted.

Senator **METZENBAUM**. You told us in your earlier testimony, you would require three bids or you would not accept it.

Mr. **RIOUX**. No; I did not say that in that sense. If I did, I misspoke. I said that we were testing that system and three bids was one of the earlier——

Senator **METZENBAUM**. Why did you take it out if you wanted to test it? Why didn't you leave it in? Who told you to take it out? Did somebody from outside say you were to take it out? Why did you take it out? You had it in there.

Mr. **RIOUX**. We thought we could test and see whether——

Senator **METZENBAUM**. You could have tested it leaving it in, couldn't you? Why did you take it out?

Mr. **RIOUX**. We are trying to validate it, sir, based on experience, and see——

Senator **METZENBAUM**. Why did you take it out?

Mr. **RIOUX**. We said we would test the comparative system and we would use it if after the testing if we validated it.

Senator **METZENBAUM**. You took it out so you wouldn't have to have a fair bidding procedure and the big oil companies get the advantage of getting the OCS leases. That is the reason, because you knew you will get only one bid. You are asking for 200 million acres of bids throughout the country. You knew that.

Mr. **GRIBBIN**. May I? I am Joe Gribbin.

Secretary **WATT**. I think that's enough.

Senator **Metzenbaum**. I have nothing further.

Senator **Nickles**. [presiding]. The time has expired. Were there any additional comments that the Secretary wanted to make?

Secretary **Watt**. No.

Senator **Nickles**. Senator Bradley?

Senator **Bradley**. Mr. Secretary, I would like to focus on the support that you have from all the Governors except California and Alaska. As I pointed out a number of times in today's hearing, the Governor of New Jersey has some very serious reservations and in fact we are in court now. All New Jersey is asking you to do is to take into consideration the fact that a million tourists visit the shore of New Jersey annually and fish for sport fishing worth about $500 million. That commercial fishing industry is worth about $490 million and employs nearly 7,000 people. Our concern is that you have not consulted effectively enough with the State and local governments, and you have not taken our economic concerns under consideration. While we want to see an expedious, efficient, environmentally sensitive OCS program, we have (a) some major reservations about our specific economic circumstance with regard to the fishing industry, and (b), some more general worries about your capacity to increase your potential EIS work annually eightfold from 7 million acres to 56 million acres.

Now the person who testified just a few minutes ago on OCS says there is a backlog of 50 million acres. There is a backlog of 70 million acres in OCS work. Keep in mind you are going to offer for lease a billion acres, so the dimensions of this whole problem take on a totally different light in my view. All I am saying is we are asking you to proceed with maximum consultation with the States, with maximum consultation with this committee, and with an accurate assessment of your own capacities to fulfill the commitment you have made to do, an EIS for the areas that have been leased and accepted. As one Senator, I would like to see some evidence that you have the capacity to do all that before I am going to go along with this proposal because it is absolutely essential that we be reassured on the fishing industry question and that we be reassured on your capacity to do it.

Otherwise I see a situation developing where we are going to have revenue shortfalls. You are going to see this as a source of revenue, and you are going to have a conflict between the need of the Federal Government for revenues and the environmental concerns that most of us have, that it be done in an environmentally sensitive manner. In such a conflict since under section 18 you have to make the judgment, we have to be concerned that you are going to balance both of those things, and you are going to come out with a sound policy.

Secretary **Watt**. All of your concerns are justified, and I share all of them and have exercised the judgment on that after consultation, and I can continue to assure you that we will continue with the consultation with the States and you and the members of this committee.

We would like to point out that the State of New Jersey has not sued us on the 5-year plan at all. The lawsuit that they brought dealt with 23 tracts 100 miles off the coast of New Jersey.

The only two States that have sued us on the 5-year plan are Alaska and California. We have consulted, and I personally have consulted with the New Jersey resource people. I am not talking about political appointees. I am talking about career resource people, and I have personally talked to them about the tilefish. As I said, I know the situation intimately well.

It was my judgment, my personal judgment, that the national interests were such that——

Senator BRADLEY. You are not going to proceed with that unless you are absolutely assured that the fishing industry is not going to be damaged, in other words, the tilefish habitat?

Secretary WATT. That is correct.

Senator BRADLEY. And only after maximum consultation with this committee and with State government?

Secretary WATT. The law is very clear on that. Not only do I want to do what you have just outlined, but I have to do it by law, and I have done it by law, and we have had a very, very successful program. It is well received by the Governors, State legislatures and by the resource people. It is just an excellent program and I am extremely proud of it. I have been intimately involved with all steps of it and am satisfied that it does bring into full accord the balance that section 18 dictates that we do.

We have met that test, and it is a healthy program for improving the enrvionment, quality of life, our national security, and creating jobs.

Senator NICKLES. Senator, the time has expired. One followup question to Senator Bradley. On the environmental impact statement, I understand correctly that last year environmental impact studies were made for seven point some million acres?

Secretary WATT. Yes.

Senator NICKLES. In the future, those studies will only be made in detail for those that various companies have indicated an interest in, in a national lease?

Secretary WATT. That is correct.

Senator NICKLES. So the environmental impact study statements, we may not be looking at increasing the total demand or load for those studies? Really it depends on the demand for the leases?

Secretary WATT. That is correct. That is correct.

Senator NICKLES. I think this capacity question that was brought out by Senator Bradley is a good one, but I think it needs to be addressed. It may well be that we will be saving a lot of money and those environmental impact studies will be addressed really just to those areas that are potential leases, not ones by the dictates of the Department.

Secretary WATT. We think there will be significant savings in the years ahead.

The concerns that Senator Bradley expressed are legitimate concerns, and I have talked about the checks and balances. That is the budgetary process, and in the last couple of years I have increased significantly the funds for these activities. We hope over the years in accumulating this library that we will have a significant savings in the outyears.

Senator BRADLEY. Mr. Secretary, I think all we are saying is that the burden of proof has to rest on you because you are offering such a potentially dramatic increase in the amount of acres you will have to do an EIS on. We want to be reassured that you will be able to do an EIS.

Secretary Watt. It is appropriate that I must carry the burden of proof, and we are satisfied that we have, with regard to the different levels of government interests that I must satisfy, that I have met the burden of proof. I tell you that categorically I have met the burden of proof for all the Federal agencies.

Second, I have met the burden of proof for all the Governors of the 20 plus coastal States with the exception of two who are suing us, and so I have met those things. I have in the last year met the burden of proof for the Appropriations Committees which have shifted the priorities significantly and in my judgment, Senator, I have met the burden of proof of the authorizing committees because by statute I had to come up to Congress with a plan and it had to rest on your committee desk for 60 days before it could become effective, and it rested here.

We had the two hearings that I testified at, and not one vote of one Congressman was registered to alter, amend, or change this proposal, so I do have the burden of proof. I will continue to have that burden. It will never shift from me, but so far, at every level, I have satisfied the requirements that have been made. That doesn't mean every person agrees, but every body, corporate body, in the political structure has approved what we are doing.

The test will come in the courts.

Senator Bradley. You just haven't made one further claim, and that is that by accelerating this OCS you will be able to save so much money it will balance the budget.

Secretary Watt. I have not come to that decision yet, but hopefully the consumer will have energy which so far even your State depends substantially upon imports. I would hope to meet the consumers' need of your State as they have not been met in past years.

Senator Nickles. Thank you, Mr. Secretary, Senator Bradley. We appreciate your input.

Mr. Secretary, again thank you for your 2 hours and 15 minutes before this committee. We will keep the committee record open for the next 2 weeks for additional comments.

The meeting is adjourned.

[Whereupon, at 11:45 a.m., the hearing was adjourned.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

JAY S. HAMMOND
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
WASHINGTON, D.C.

September 28, 1982

Honorable Lowell P. Weicker, Jr.
United States Senate
Washington, D. C. 20510

Dear Senator Weicker:

Your office has requested that the State of Alaska provide you with a brief statement of the State's position on the Department of the Interior's Final Five-Year Outer Continental Shelf Oil and Gas Leasing Program. I am transmitting the attached memorandum to satisfy that request.

You will note that the memorandum is silent regarding the State's posture on upcoming Sale # 71 in the Diapir Field. This is because the memorandum focuses on those geographical areas which would need sale deletion or rescheduling in order to meet our concerns. Secretary Watt correctly stated in his testimony before your Committee on September 8 that he had reached agreement with the State on Sale # 71, and he had accommodated our concerns. The fact that the Secretary and the State reached amicable agreement on this sale indicates the ability of both parties to conclude successfully future negotiations on individual sales. Nevertheless, the memorandum sets out the State's concerns unresolved to date.

Alaska has prepared a complete administrative record on our position on the Five-Year Program. Do not hesitate to contact us if you desire additional information, or if you want further clarification of any issue.

We appreciate your concern on this vital issue and the opportunity to respond to your inquiry.

Sincerely,

C. Deming Cowles

C. DEMING COWLES
Director, State/Federal Relations

cc: Governor Jay Hammond
Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young

Attachment

HALL of the STATES — Suite 518 — 444 North Capitol Street N.W. — (202) 624-5858

JAY S. HAMMOND
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
WASHINGTON, D.C.

September 28, 1982

MEMORANDUM

TO: Senator Lowell Weicker

SUBJECT: State of Alaska Position on OCS 5-Year Leasing Program

---

The purpose of this memorandum is to set forth the views of the State of Alaska on the Department of the Interior's Final Five-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program, approved on July 21, 1982.

BACKGROUND

Alaska has consistently supported a balanced federal offshore leasing program. The State has also supported federal onshore leasing, and has its own schedule for the leasing of state lands and waters. The State desires to contribute to the national energy supply, even as it takes issues with certain specifics of the Five-Year Program.

Alaska has raised concerns with the leasing of certain areas and with the overall process--streamlining--which has been developed for the conduct of presale planning and the lease sale itself. Although there are at least nine sales that the State supports the timing of their lease offerings, sixteen oil and gas lease sales in ten Alaskan planning areas totalling over 550 million acres is too great an acreage to consider during the next five years. Significantly, seven of these offshore sales would be first time offerings in Alaska frontier areas where industry will face formidable environmental conditions. Equally significant, the State supports the timing of leasing in the Navarin Basin and the Diapir Field, which are the two most promising areas in the Alaskan OCS for hydrocarbon discovery.

Many of the State's concerns regarding the scheduling of sales off Alaska's coast remain unresolved. Alaska continues to oppose sales as currently planned, a position which has remained unchanged over the past several years.

HALL of the STATES — Suite 518 — 444 North Capitol Street N.W. — (202) 624-5858

State of Alaska Position
Five-Year Oil and Gas Leasing Plan

STATUS OF PROPOSED LEASING IN DISPUTED ALASKAN OCS BASINS

North Aleutian Shelf Sale

The first sale in the fisheries-rich North Aleutian Shelf is now scheduled for 1985, whereas Alaska has consistently requested that the scheduling of sales in this Basin be postponed indefinitely until there has been time to assess essential information collected about the region's environment prior to committing to lease there. Such postponement would provide industry the opportunity to gain applicable technological experience elsewhere in the Bering Sea, such as the Navarin Basin.

St. George Basin

For similar reasons, the State requested no sales on the current schedule in the St. George Basin. Despite program analysis which ranked St. George Basin highest in environmental sensitivity and marine productivity relative to other OCS areas nationwide, the first sale there will occur in February 1983 under the final program. Two additional sales are scheduled in the St. George Basin in 1984 and 1986. This accelerated scheduling does not appear justified by the generally moderate level of hydrocarbon resources estimated in the area, especially in light of the Basin's tremendously high marine productivity and environmental sensitivity. This area should be protected through substantial delays in leasing.

Although the consultation with the Alaska Land Use Council (ALUC) regarding Sale 70 in the St. George Basin which is provided in the final Five-Year Program may provide useful input into the presale planning process, the State of Alaska has consistently sought a stronger, more direct role in consultation before any potential leasing in this outer portion of the Bristol Bay region takes place. The renewable resources found in this region and environmental considerations merit this attention.

Norton Basin

Although the State urged delay in the timing of the first Norton Basin sale until 1984 or 1985, to allow time for local coastal management planning, a sale remained scheduled for this November in the final Five-Year Program. Slippage in Interior's internal planning process has now delayed this sale at least five months. Interior's final program does reschedule later Norton Basin sales in three rather than two-year intervals and consequently moves the second Norton sale from 1984 to 1985 and drops the third sale from this schedule. Interior's estimates in the Final Environmental Statement (FES) for the Five-Year Program support this rescheduling because 65 percent of the probable resources in that Basin are still likely to be leased and developed from the first two sales, with a third sale adding only

10 percent to the cumulative total. However, this change in timing of later sales fails to take into account the State's primary concern that more time is needed to prepare for the impacts of the first sale in that area. Alaska recently cancelled its own proposed offshore lease sale in the Norton Basin, recognizing both the importance of the renewable marine and coastal resources to the State and its citizens residing in that region and the marginal economics of the most likely hydrocarbon discovery. The State continues to believe strongly that the first sale in Norton Sound must be delayed.

Barrow Arch

The schedule calls for a first Barrow Arch sale in early 1985 despite requests by the State for indefinite postponement of leasing in this area. The Chukchi Sea is undoubtedly one of the least understood areas of the OCS nationwide. What is known of the sea ice and storms indicates conditions far worse than the Beaufort Sea where the State has approved the cautious extension of exploratory activities seaward as industry technology and infrastructure develop. The National Petroleum Council's U.S. Arctic Oil and Gas study estimates that it will take five years longer to reach production in the Chuckchi Sea compared to the Bering Sea, primarily because of sea ice conditions. The National Petroleum Council recommends more studies, both public and private, and emphasizes the need for sea ice research. The State disagrees with Interior's assessment of the adequacy of environmental information for decision-making in the first proposed Barrow Arch sale. Only two years remain for data collection, interpretation and synthesis prior to preparation of the Barrow Arch environmental analysis and Notice of Sale. Important research will not be completed and synthesized in time for the presale decisions. It is clear that major decisions will be made in this region based on much less information than has been available in the past for the less hazardous, nearshore Beaufort Sea sales.

STREAMLINING

In addition to the above, the State has expressed concerns about the streamlining procedures to be employed along with the accelerated lease schedule. Streamlining severely undercuts the presale planning process. Rather than delineating a sale offering through the tract selection mechanism as has occurred in the past, huge areas are identified for analysis and probable offering. This approach violates Section 18 of the OCS Lands Act which mandates that lease sales on the five-year schedule be identified "as precisely as possible." These streamlined sales will offer acreage many times in excess of what is actually intended to be leased.

Under streamlining, the State of Alaska will have to evaluate impacts and plan for activities in artificially enlarged sale areas when only a small portion of the tracts are likely to be leased according to program estimates. Streamlining further hinders presale planning by broadening the area of analysis far beyond that for which specific mitigating stipulations can be effectively developed, particularly in the time available before each sale. An acceptable alternative would be to retain the tract selection step and thereby narrow industry and government efforts to the most promising acreage early in the presale planning process. The programs rationale for the greatly increased size of offerings is that massive offerings facilitate improved exploration strategies. However, very modest increases in offerings would accomplish this leasing goal without placing an enormous burden on government, industry, and the public of evaluating areas five or ten times larger than what is likely to be leased.

Accelerating the schedule and streamlining presale planning also greatly reduced the time for data collection and synthesis. For instance, the time for preparation of the EISs for lease sales in frontier areas is being cut to roughly one-half of the previous time allowed. Yet at the same time, each EIS is expected to analyze impacts of a sale covering an area many times the size of a lease sale under previous procedures. Public reviews will be impaired because of a lack of available information. Decision-making will be hindered by inadequate information; in particular the ability to make impact prediction will be lost. In the State's view, this fails to meet the intent of Congress as prescribed in Section 18(a)(3) of the OCS Lands Act.

Accelerating the schedule has already had detrimental effects on presale planning in Alaska. The Draft EIS for the St. George Basin Sale 70 failed to include currently available biological assessments. The OCS staff, despite best intentions, simply did not have time to synthesize the most up-to-date and accurate resource information available to produce a meaningful analysis of the impacts of the proposed sale. In other words, the OCS pace has quickened and the presale planning process has already suffered.

SUMMARY

The State's concerns regarding the adverse impacts of the lease program have led the Governor to request that certain lease sales be dropped from the schedule and that area-wide offerings and streamlining procedures not be employed. The State believes that the program is not in compliance with Section 18 of the OCS Lands Act and the National Environmental Policy Act. Thus, Alaska has requested that these revisions to the program not be implemented, particularly not while judicial review is ongoing.

Alaska has been and remains supportive of a sound OCS leasing program which addresses the nation's energy needs, protects important renewable resources, and minimizes social and environmental costs to Alaska's residents. The State has consistently put forward an alternative leasing program which achieves those goals. Instead, the State believes it is being required to shoulder inequitable burdens that will strain the economic and social fabric of its people, in addition to raising substantial environmental questions. The State of Alaska is willing to assist in solutions to the nation's energy problems. To do so appropriately, however, requires that national interests be balanced with important State and local interests in Alaska.

After careful review, the State has concluded that the revised leasing program fails to meet the standard of the balanced approach to OCS development mandated by the OCS Lands Act.

# # #

The Commonwealth of Massachusetts
Executive Office of Environmental Affairs
100 Cambridge Street
Boston, Massachusetts 02202

COASTAL ZONE
MANAGEMENT

September 20, 1982

Senator Lowell P. Weicker
Chairman, Subcommittee on Energy
Conservation & Supply
Committee on Energy & Natural Resources
3204 Dirkson Building
Washington, D.C. 20510

Dear Senator Weicker:

On behalf of the Commonwealth of Massachusetts, I request that this letter, and the attached comments on the Department of the Interior's Tentative Proposed Final Five Year OCS Leasing Program be included in the September 8, 1982 hearing record of the Subcommittee on Energy Conservation & Supply.

In his testimony before the Subcommittee, Secretary of the Interior, James Watt stated that the Department developed the Five Year OCS Program after some 19 months of detailed consultation with the affected states. A comparison of the final Five Year OCS Leasing Program and the comments submitted by the Governors of the affected states will reveal that the Department did not seriously consider the states' comments. There are however a few exceptions. Massachusetts and other New England states asked that the North and Mid-Atlantic OCS planning areas not be combined as originally proposed by the Department. In the final Program, these two planning areas are distinct. However, the states pointed to several problems in the Proposed Five Year Program, many of which have been ignored by the Department of the Interior. Some of these issues are discussed by Massachusetts in the attached comments.

Secretary Watt also testified that the Administration is taking a new approach to offering OCS areas for lease. Rather than the federal government defining the size and location of areas to be leased, the oil industry will be asked to shoulder this responsibility. Massachusetts, other affected states, and organizations have repeatedly told the Department of the Interior that this approach violates Section 18 of the Outer Continental Shelf Lands Act (OCSLA). Section 18 establishes the guidelines to be used in developing the Five Year Leasing Program and expressely states that "the leasing program shall consist of a schedule of proposed lease sales indicating, as precisely as possible, the size, timing, and location of leasing activity". These standards were not met by the Department in developing the Five Year Program.

Further, the Program does not include a schedule of the planning steps which preceed a lease sale. These pre-lease sale steps include the Call for Information, the draft and final environmental impact statements, and the proposed notice of sale. This lack of information on the pre-lease sale steps, and the planned offering of large OCS areas, makes meaningful participation in the planning process difficult for affected states and interest groups.

Finally, Massachusetts and others are concerned that the Five Year OCS Leasing Program does not ensure that the federal government will obtain fair market value in exchange for the lands leased and the rights conveyed by the government. Many of the OCS areas proposed for leasing, for example the deep water areas, are beyond the capabilities of present exploratory drilling and production technology. Massachusetts believes that there is value to offering limited acreage which appears to be geologically favorable, but beyond present technology. These limited offerings are a stimulus for developing the necessary production technology. However, offering large acreage, portions of which are presently uneconomic, results in a loss of revenues to the federal government, and does not guarantee timely OCS production of oil and gas.

Thank you for the opportunity to comment on the Five Year OCS Leasing Program. If I can provide any further information on Massachusetts' analysis of the Program, please do not hesitate to contact me.

Sincerely,

Richard J. Delaney

Richard F. Delaney
Director

RFD:PEH:bam
cc: Honorable Paul E. Tsongas

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE DEPARTMENT
STATE HOUSE • BOSTON 02133

EDWARD J. KING
GOVERNOR

April 15, 1982

James G. Watt, Secretary
Department of the Interior
18th and C Streets
Washington, D.C. 20250

Dear Secretary Watt:

On behalf of the Commonwealth of Massachusetts, I am pleased to submit the attached comments on the Tentative Proposed Final Five Year Outer Continental Shelf Oil and Gas Leasing Program.

I applaud President Reagan's effort to reduce our nation's reliance on foreign oil by increasing production of domestic energy resources. I support your attempt to achieve this goal by expediting the leasing of our Outer Continental Shelf. I think it is important that we assess the nation's total energy needs and develop production goals for the OCS, which take into consideration present costs and future economic benefits of our offshore oil and gas resources.

I support the scheduling of lease sales every two years off the coast of Massachusetts, however the North Atlantic planning area must be reduced. Massachusetts and other affected states cannot work constructively with the Department in determining the size, timing, and location of North Atlantic leasing activity when the area is so large, and encompasses so much acreage which has no geologic potential for oil and gas.

I would like to reiterate my continuing concern that the states play a meaningful role in planning for leasing activity off their coasts. As I stated in my October 19, 1981 letter to you, Massachusetts worked positively with the Department on planning for Sale 42, in part because the sale area was specifically defined so as to enable us to identify tracts of potential environmental risk, specify tracts for deletion, and assist in the development of lease stipulations. The Atlantic planning area as proposed will mean less effective participation by the states and could likely result in reduced environmental protection for the biologically productive Georges Bank.

I believe working with the state during the planning stages of the leasing process goes a long way towards avoiding administrative or legal delays at the time of sale. I think a cooperative effort provides greater assurance that drilling will occur in an expeditious and environmentally sound manner.

Thank you for this opportunity to comment. Should your staff have any questions, my OCS staff can provide additional information concerning Massachusetts' comments.

Sincerely,

Edward J. King

Edward J. King
Governor

MASSACHUSETTS COMMENTS ON THE TENTATIVE PROPOSED FIVE YEAR LEASING PROGRAM

Massachusetts views the Department of the Interior's OCS leasing program as an integral part of our national energy policy. The nation's offshore oil and gas resources can make a significant contribution to the nation's energy supply, provided that legally-required environmental protections are in place. Under the OCSLA, as amended, the OCS program must reflect, among other things:

1. a balancing among the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse impact on the coastal zone; and
2. a means of assuring that the country will recieve fair market value in exchange for the lands leased and the rights conveyed by the Federal government.

The tentative proposed final Five-Year OCS Oil and Gas Leasing Program focuses almost exclusively on one objective, that of collecting monies now to offset the national debt. While Massachusetts supports the important goal of reducing the debt, the Commonwealth submits that the proposed leasing program inappropriately seems to achieve that goal at the expense of the environmental protections required by the OCSLA and the meaningful participation of coastal states in the pre-leasing process.

In the following comments, Massachusetts addresses some of the deficiencies in the proposed program and suggests certain changes intended to improve the program.

I. Balancing

(a) Size of Planning Areas

Section 18 of the OCSLA requires that the leasing program define as precisely as possible, the size, timing, and location of leasing activity. In *California v. Watt*, ate, the U.S. Court of Appeals for the D.C. Circuit underscored the importance of this feature of a legally-sufficient program. Massachusetts believes that the tentative proposed program does not meet the balancing requirements of Section 18(a)(2) of the OCSLA.

The present OCS Leasing Program defines the North Atlantic planning area to include Georges Bank, its adjacent continental slope and rise, and the deep sea floor. On its eastern side, the planning area is bordered by the Fundian Channel, and extends to the west as far at the Massachusetts-Rhode Island border. The planning area then extends seaward from southeastern Massachusetts to include the continental shelf, slope and rise.

One revision to the OCS leasing program posposes to extend the North Atlantic planning area eastward to include all of the Gulf of Maine, and to the southwest to include all the shelf and deep water area off the Mid-Atlantic states, ending at the line drawn seaward of Cape Hatteras, North Carolina. Redefining the boundary of the North Atlantic planning area to include the Gulf of Maine, Georges Bank and Southern New England, and the Mid-Atlantic Bight region to Cape Hatteras, North Carolina does not specify with any degree of precision, the location of leasing activity.

First, the planning area should be defined in terms of physiographic conditions. The SID states that because the Jurassic Reef structure extends along the edge of the continental shelf of the east coast it is not necessary to maintain the original planning boundaries. This fails to explain the proposed boundaries of the Atlantic planning area, however, because if the boundaries were based solely on the presence of the reef structure, the North and South Atlantic areas would not be divided at Cape Hatteras. Whatever additional considerations went into the definition of planning areas remain unstated.

The original North/Mid-Atlantic planning area definition was based on the physiographic characteristics of this region of the OCS. The North Atlantic area encompasses the shallow shelf area of Georges Bank and its slope and Nantucket Shoals, while the Mid-Atlantic area is comprised principally of the Mid-Atlantic Bight and the deeper shelf/slope waters.

Second, Massachusetts believes that the Gulf of Maine should be excluded from the planning area because it has no significant depths of oil and gas bearing geologic sediments.

Third, Massachusetts recommends the deletion of the area south of Nantucket Shoals from the North Atlantic planning area. This area appears to be of no interest to the oil industry. In fact, the tracts of high and medium industry interest are located in the eastern and southeastern portion of the area identified in the Call for Sale 52.

In addition, industry has not expressed any interest in the shelf and slope tracts east of Hudson Canyon, an area which was included in the Calls for Sales 40, 49, and 76. This provides further reason for maintaining the initial Atlantic planning area boundary.

Finally, the Georges Bank/Southern New England area and the Mid-Atlantic area differ in two important ways. First, any oil that might be commercially produced in the North Atlantic would be carried to shore by tanker, while pipelines would be used in the Mid-Atlantic. Although the oil and gas estimates vary, the SID indicates (at Page 2 of the Attachment I, Appendix 2) that the conditional mean resource estimates for the North Atlantic are 1.42 billion barrels of oil and 5.84 trillion cubic feet of gas and for the Mid-Atlantic the figures are 2.69 and 11.27 respectively. However, 30% of the resources in the Mid-Atlantic are expected to be leased and developed, compared to 20% of the North Atlantic resources. Thus, tankers would be the most economic means of transporting the relatively small volume of oil in the North Atlantic, and pipelines would be built to serve the larger volume production in the Mid-Atlantic. Second, biological production per unit of area is greater in the North Atlantic than the Mid-Atlantic. This fact, combined with the use of tankers, results in higher environmental costs of producing oil in the North Atlantic as compared to the Mid-Atlantic.

Massachusetts recommends, accordingly, that the Department of the Interior define the maximum size of the Sale area according to both the oil and gas bearing geologic structures and the environmental characteristics of each area. For the North Atlantic planning area in particular, Massachusetts urges the Department to treat Georges Bank and Southern New England differently from the Mid-Atlantic Bight and Cape Hatteras south for the purposes of conducting environmental assessments.

By limiting the size of the Sale area to those areas of geologic potential, the Department is better able to incorporate the factors outlined in Section

18(a)(2) of the OCSLA into the formulation of a leasing program and of specific leasing decisions. Moreover, coastal states are in a much better position to participate intelligently in helping to determine the size, timing, and location of leasing activity off their coasts.

(b) Environmental Sensitivity and Marine Productivity Assessment

Section 18 of OCSLA also requires that the relative environmental sensitivity and marine productivity of the various oil and gas bearing physiographic regions of the OCS be considered in determining the size, timing, and location of leasing activity. The planning areas in the proposed program, particularly the areas on the Atlantic coast, however, are too large for the sensitivity and productivity analysis to serve as a useful planning tool.

The analysis supporting the program, described in the SID, relies on four offshore habitats in determining the relative environmental sensitivity of the proposed planning areas. These habitats are: aquatic beds, reefs, hard bottoms, and submarine canyons. Nearshore habitats are wetlands, beaches, and rocky shores. The ranking of areas according to relative environmental sensitivity is based on the existence or absence of each habitat in each planning area, the habitat's sensitivity to spills and the time necessary for each habitat to recover from a spill. The figures yielded by the ranking system are summed and divided by the number of habitat types present in a planning area, in order to arrive at a final ranking of sensitivity.

There are serious flaws with this ranking system. First, and most importantly, the offshore habitat types selected by the Department are neither common to nor uniform among all of the physiographic regions of the OCS. Aquatic beds are identified as kelp beds in the Pacific and sea grass beds in the South Atlantic and Gulf of Mexico. Although not used in the analysis, eelgrass beds in the North and Mid-Atlantic regions are similar in function to seagrass beds, but cannot be compared to kelp beds.

Second, some habitat types are not even defined. In fact, a Department spokesperson stated that Interior had no specific definition of the "hard bottom" habitat. In the North and Mid-Atlantic, canyon heads are apparently considered to be hard bottom, whereas in the South Atlantic and the Gulf of Mexico, they are topographic highs, and it's impossible to determine how hard bottom was defined for the Pacific. A comparison among regions, rough though it may be because of the varying environmental conditions, cannot be conducted in the absense of clear, ecologically-based definitions of habitat types.

The required evaluation of sensitivity and productivity must be conducted on similar habitats among all the OCS regions.

Habitats common to all OCS regions are:

(1) marine mammal/marine turtle habitat
(2) feeding grounds for marine mammals/turtles
(3) feeding grounds for demersal finfish
(4) spawning/nursery grounds for commercially important finfish
(5) areas of high primary productivity
(6) areas of high concentration of pelagic birds.

In addition, the productivity measurements must be based on similar habitats or area characteristics for all OCS regions. Productivity measurements that meet this standard include the following:

(1)	primary productivity	(3)	commercial fish catch per unit of area
(2)	benthic biomass	(4)	estimates of maximum sustainable yield.

The Department should utilize information collected by the National Marine Fisheries Service and the coastal states' fisheries agencies for this assessment. These two sources were not tapped for the SID analysis. The sensitivity and productivity measurements required by OCSLA must pertain to areas that are smaller than those used in the SID. The proposed program's use of large ocean areas serves to bias downward the sensitivity and productivity measurements and obscure the environmental differences within a geographic area.

Massachusetts recommends that the Department of the Interior assess the relative marine productivity and environmental sensitivity of each OCS area of geologic potential. The area assessed may be altered in light of its geological, meteorological, and oceanographic characteristics. This kind of assessment will provide the Department with specific information about the sensitivity and productivity of various areas within an oil and gas bearing physiographic region in a manner consistent with OCSLA.

(c) Location and Timing

By conducting the analysis suggested above and comparing the environmentally-sensitive areas with the areas of geologic potential, the Department can identify those potential leasing areas that are less sensitive. For example, seventeen of the industry's high interest tracts for Sale 52 are located in areas Massachusetts considers to be particularly sensitive: at the heads of and upstream from Oceanographer and Lydonia Canyons and in a blackback flounder spawning area.

This type of comparision provides the Department and the states with crucial information for use in determining whether certain tracts should be leased in a particular sale. This information is also useful in developing special lease stipulations for drilling on tracts that are in or alongside particularly sensitive marine habitats.

II. Net Social Value Determination

There are several serious problems with the methods and assumptions used by the Department in determining the net social value of the proposed OCS Program. In general, the Department of the Interior has overestimated the net economic value of the OCS oil and gas resources and underestimated the external costs of extracting these resources.

(a) Net Economic Value

The determination of the net economic value (NEV) of each planning area is based on:

(1) the amount of oil and gas expected to be recovered;
(2) the costs of exploring for, developing, and producing these resources; and
(3) the timing of production.

The calculations of the net economic value contained in the SID are flawed at least in the following respects.

First, the NEV determinations are based on the U.S. Geological Survey's estimates of undiscovered recoverable resources, which are resources that can be extracted economically using existing technology. The Geological Survey develops these estimates based on an analysis of 57 offshore provinces, 31 in 0-200 meters of water, and 26 in waters greater than 200 meters of water. The provinces are delineated according to depth to enable the Survey to distinguish between those areas where existing technology can function and those for which applicable technology does not exist.

Although the resource estimates are based on provinces, the program's analysis focuses on planning areas. The key data for analytical purposes are the resource estimates presented for the planning areas. While some of the provinces coincide with the proposed planning areas, others do not. The SID does not explain how the province estimates were accounted for in arriving at the resource estimates for the proposed planning areas.

The resource estimates are based on two assumptions: (1) that oil and gas exists in an area and (2) assuming oil and gas exists, that the resource estimates are correct. The SID ignores the fact that these estimates are conditional, that they are based on the present existence of necessary extraction technology, and that portions of a planning area lacking geologic potential cannot be developed. As a result, the analysis supporting the program overestimates the net economic value of the planning areas.

An additional defect resulting in an unrealistically high NEV is that the analysis in the SID assumes a constant cost of production ($23/barrel) for all OCS regions. The SID fails to account for the relatively high costs of developing tehcnology for production in deep water areas, and under Arctic ice conditions.

The costs of drilling in areas where proven technology is used remain relatively constant over time. In those areas for which drilling and production technology do not presently exist, however, production costs are likely to rise at a faster rate than oil prices. To develop technology to drill and produce in deep water and/or in Arctic pack ice will be costly, and there will be high costs associated with refining the new technology as it is put into place.

In discussing the timing of production, the SID discounts to present value the value of the unexploited resources. The net present value of the resources is the price minus the production cost. The SID analysis concludes that the net present value of the resources will decline over time and therefore these OCS areas should be opened up now for drilling.

However, the net present value of the resources in those OCS areas for which proven technology does not exist will increase, not decrease, with time. Therefore, the Federal government will receive an optimal rate of return on these resources if leasing is pushed into the future.

The experience of Lease Sale 59 illustrates the problem with the assumptions made by Interior in calculating the net social value of leasing certain OCS areas now rather than in the future. Many of the tracts offered in Sale 59 are located in water depths beyond present production capability, and directly over the promising Jurassic Reef structure. A total of 253 tracts were offered, and 98 received bids. Most of these 98 are located in 3000 to 7000 feet of water. In evaluating the fair market value of the bids received, the Department of the Interior rejected 48 bids. The oil industry applied high risk factors -

greater cost of production, potentially greater environmental risk because of the water depths - to their analysis of the value of these tracts. The Department appears to have overestimated the value of the leases because they underestimated, among other things, the costs of developing the technology that will be required to produce at these water depths.

There is value to leasing some high cost areas which have highly favorable geologic structures, in part to stimulate investment in the development of production technology. However, offering areas, portions of which are presently uneconomic, such as the deepwater tracts in the Sale 59 area, results in a loss of revenues to the federal government.

Because of the flaws identified in the determination of the net economic value of each planning area, the Department of the Interior should conduct a NEV analysis of each sale. This analysis on a sale be sale basis would determine whether specific portions of the area proposed for leasing are ripe for development.

(b) Calculation of External or Environmental Costs

The external costs identified in the SID underestimate the potential costs of extracting oil and gas from some of the OCS areas. In particular, the costs are far too low for the Georges Bank/Southern New England area (existing North Atlantic planning area) in light of the following:

(1) The Program uses only four offshore habitats (see Appendix 10). Several of those habitats are not present in the North Atlantic, whereas other habitats that are present are not taken into account;

(2) The Program ignores the loss of wetlands as a spawning and nursery area for fishery resources;

(3) The Program assumes that 1/3 of the oil produced would be carried to shore by pipelines, whereas tankers are likely to be the sole means of transport in the North Atlantic;

(4) The Program does not consider the effects of oil spills of less than 1000 barrels and chronic routine discharges from platforms and tankers; and

(5) The methods used to calculate external costs are flawed.

(1) Four Offshore Habitats

As stated earlier, the four offshore habitats on which the Program's analysis are based (i.e. aquatic beds, reefs, hard bottom, and submarine canyons) are not appropriate for determining the relative sensitivities of the various OCS regions. These habitats are not common to all the regions. They are not useful in determining the productivity of a particular OCS region or in attempting to measure the loss in productivity - i.e. the environmental costs due to OCS activity in general or oil spills in particular.

The Georges Bank/Southern New England area is known for its fishery production. The Georges Bank system has some of the highest primary productivity measurements of any offshore continental shelf region in the world. It has higher benthic biomass measurements than the North Sea, which is a comparable fishery area, and, per unit of area Georges Bank has the highest fishery catch in the world. None of these features is factored into the estimate of external costs for the North Atlantic, however, because the Department utilized inappropriate habitats in its sensitivity and productivity analysis.

In the Georges Bank/Southern New England area, only one of the Department's offshore habitat categories is present: submarine canyons. While the North Atlantic canyons are important habitat for the American lobster and certain corals, they alone do not indicate the sensitivity of the whole area to oil spills. Additional habitats (see those listed in the preceeding comments on environmental sensitivity and marine productivity), must be accounted for as well in order to determine the true costs of OCS activity in this area.

For example, fishery production on Georges Bank is related to the production of benthic organisms, the major source of food for many of the species on Georges. The FEIS for Sale 42 indicates that it could take as long as 10 years for the bottom community to recover from an oil spill when the oil becomes incorporated into the sediment. Therefore the loss of a portion of the benthic community could result in a viable reduction in fish production. Because the SID does not include the benthic community in its abbreviated list of sensitive habitats, the loss of fishery production and the other effects of oil on the benthic community are simply excluded from the Department's assessment of external costs. This omission leads to a substantial underestimation of the environmental costs associated with oil and gas activities on Georges Bank.

(2) No Consideration of Wetlands in Terms of Fishery Production

Coastal wetland and estuarine systems are prime spawning and nursery areas for at least one-third of all the fish species in the Atlantic. Yet estuaries are not even considered in the coastal habitat/sensitivity evaluation in the SID. Moreover, wetlands are not assessed as fishery habitat and therefore the loss of fish production due to the loss of wetland habitat is absent from the Department's cost calculations.

(3) Pipeline Transport of Oil in the Georges Bank/Southern New England Region

The SID states that the tanker transport of oil will result in more environmental damage than pipeline transport because of the higher incidence of spills from tankers. In calculating the environmental costs in the North Atlantic (Georges Bank/Southern New England), the SID assumes that 1/3 of the oil will be transported by pipelines. This assumption is contrary to all of the information presented in the DEIS, FEIS, and FSEIS for Sale 42, the DEIS for Sale 52, and information presented by oil companies about operations in the Georges Bank area. All of these sources state that oil would be transported to shore by tankers. Recalculating the total cost of spilled oil in millions of dollars per billion barrels of oil produced for the Georges Bank area based on tankering of oil increases the figure of $536 to over $1200 (chart in Appendix 8-6-1, SID).

(4) Effects of Spills of Less Than 1000 Barrels and Chronic Spills From Platforms and Tankers

There are many more oil spills of less than 1000 barrels than spills of a larger size. The United States Coast Guard Pollution Incident Reporting System (PIRS) statistics show that from 1973-1978, 97% of all the tanker spills in Massachusetts waters were less than 1000 barrels. These small spills can cause significant ecological damage, depending upon the type of area affected and the time of year the spill occurs.

In the North Atlantic, an offshore spill of less than 1000 barrels could have serious impacts upon spawning or nursery grounds for such important commercial fish as haddock or cod. It its examination of the ichthyoplankton in samples collected around the *Argo Merchant* spill site the National Marine Fisheries Service (Longwell, 1978) found high percentages of deformed fish eggs. Although the *Argo Merchant* spilled a large quantity of oil, its concentration in the water column was not high. The low concentrations of oil however were significant enough to cause the mutation of fish eggs. Should a small spill occur during the spawning or hatching season, the impact on the eggs and larvae could be considerable.

Because more oil is likely to be released through chronic rather than catastrophic spills, chronic discharges from platforms and tankers are likely to produce substantial adverse impacts on sensitive offshore areas such as Georges Bank. The Department erronously excludes these sources of oil in the marine environment from its analysis of the external costs of oil and gas activity.

(5) Methods Used to Calculate Average Costs

The SID uses only two spills to calculate commercial fishery losses due to oil spills. The SID assumes that these two spills had "typical" impacts on the fishing industry because vessels could not get out of the oily harbors. While this can be one impact of an oil spill on commercial fishing, there are others of equal importance that the Department neglects to consider. They include: long term loss of fishing grounds due to contamination, which has happened as a result of spills in West Falmouth and Wing's Neck in Massachusetts; and loss of fishery production due to damage to or loss of spawning and nursery areas. The use of only two spills greatly underestimates both the extent of impacts on the conduct of a fishery and the damages to the fishery resource.

By relying on only one spill to assess property damage, the SID ignores certain impacts that were prominent in other "typical" spills. For example, the SID does not consider the fact that people may not lease coastal property in expectation of the beaches and coastal waters being fouled by oil. An analysis of the IXTOC spill would be useful because the effect of this spill on Texas businesses has been studied. Property owners along the South Texas coast in fact lost rental income because people anticipated that the beaches and coastal waters could be fouled by oil.

The analysis of tourism losses is based on the unsupported assumption that impacts will be significant only if the oil reaches the shore. Because the analysis fails to consider the expectations of the public concerning the impacts a spill might have on a coastal area during the tourist season, external costs are again underestimated.

III. Budget and Staffing

Massachusetts is concerned that by reducing the staff and budget of the regional and field offices of the Bureau of Land Management [BLM] and the Minerals Management Service [MMS] the Department may undermine the goal of maintaining strict environmental regulations while expediting leasing.

As noted in the Commonwealth's comments on the July 1981 proposed program, accelerated leasing will increase significantly the work loads of the regional and field offices of the Bureau of Land Management and Minerals Management Service. At the same time, the Department will be decreasing the budget and staffing levels. For example, the MMS which is responsible for the review and approval of drilling plans, oversight of drilling operations, and enforcement of lease stipulations and operating orders, maybe supervising drilling activity on leases from 30 sales, with a budget of $32.9 million and a staff of 453 in fiscal 1984. By comparison, the June 1980 program recommended a budget of $43.3 million and a staff of 673 to oversee drilling activity on leases from 24 sales in FY 84.

In comparison with the Andrus program, the new program includes 6 more lease sales, but proposes to reduce the budget by $10.4 million and to reduce by 220 the staff responsible for supervising leasing activity and enforcing environmental and safety regulations.

In addition to accelerating the number of sales, the program seeks to move leasing activity further offshore on the Atlantic Coast, into areas in which exploratory drilling technology is new and development and production technology has not yet been developed. Some of the proposed sale areas off the coast of Alaska cannot be drilled with present technology because of extreme environmental conditions. These considerations impose increased responsibilities on government to ensure that the safest technology is utilized and environmental standards are met. The costs of maintaining an adequate level of technicians for these offshore areas will likely increase, not decline.

Under the proposed program, the regional BLM offices are expected to produce NEPA documents in a shorter period of time on much broader areas than previously proposed. In addition, the Environmental Studies program will shift its focus from pre-sale data collection to post-sale monitoring activities. This shift, together with the proposed reduction in budget, will make it almost impossible for BLM to provide adequate environmental analyses of certain offshore areas. This may mean that there will not be enough information for the Secretary to determine what tracts should be offered and the appropriate mitigating measures which may need to be required for specific lease sales. Concomitantly, it will be more difficult for coastal states to participate in a meaningful, informed manner in the leasing process.

The proposed budget does not appear to include funds to support the post-lease sale monitoring programs the Department has been emphasizing. The environmental statements and studies portion of BLM's budget has been reduced for FY 84, 85 and 86 below the Department's initial revision of the leasing program. Although the USGS budget estimates for these same years are increased, there is a proportionate increase in staff so it does not appear that the monitoring monies are in Geological Survey's budget.

The Department of the Interior has not realistically accounted for the essential task of supervising lease operations, particularly in deeper water and areas of harsh environmental conditions, and the costs of pre-lease sale environmental assessments and post-sale monitoring. The budget and staff levels for field offices of the Minerals Management Service and the regional offices of the Bureau of Land Management must be increased substantially above the current levels.

STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

September 27, 1982

Dear Secretary Watt:

North Carolina has consistently supported the implementation of a balanced Outer Continental Shelf oil and gas leasing program as a means of reducing our nation's dependence on foreign sources of oil. In my letter of July 30, 1982, I expressed my concern that the current 5-Year Leasing Program does not reflect a proper balance and that I was considering filing a law suit with California and Alaska. My inquiry into the 5-Year Leasing Program revealed a disturbing trend of litigation and lack of confidence in the program which, I fear, is undermining our mutual goal of developing Outer Continental Shelf oil and gas resources in a balanced manner.

The Outer Continental Shelf Lands Act Amendments call for the implementation of a balanced program. That balance is to be struck by using the "best available information" as called for by the Appellate Court in California v. Watt and within the framework of the State-Federal partnership envisioned by Congress when the amendments were enacted.

The policies currently in effect in your Department have resulted in a parade of litigation on those issues and others. Such issues are the points of contention in the California, Alaska, and Oregon legal briefs. Similar issues will be raised by Florida.

The suit over the present 5-Year Program and the virtually unbroken chain of suits on a lease sale-by-lease sale have eroded public confidence in the Outer Continental Shelf Program. I feel compelled to question the effectiveness of policies that favor confrontation in the court rooms as opposed to compromise in the conference rooms. The propensity of the Department for litigation may well have a counter productive effect on our mutual goal of developing Outer Continental Shelf oil and gas resources in a balanced manner and as expeditiously as possible.

Secretary James G. Watt
September 17, 1982
Page two

I urge you to make every effort possible to incorporate into your program the recommendations of the States of California, Alaska, Oregon, and Florida and to avoid taking any actions that will result in time consuming and costly court action. I also urge you to promote the State-Federal partnership in your consultations with coastal states regarding future Outer Continental Shelf lease sales.

A little more cooperation and a little less confrontation will help us achieve our national goal of getting new sources of oil and gas in a manner that is both expeditious and consistent with our concern for the environment.

My warmest personal regards.

Sincerely,

Secretary James G. Watt
U. S. Department of the Interior
18th and C Streets, N. W.
Washington, D. C. 20240

cc: The Honorable Edmund G. Brown, Jr.
Governor of California

The Honorable Jay S. Hammond
Governor of Alaska

The Honorable Victor G. Atiyeh
Governor of Oregon

The Honorable Bob Graham
Governor of Florida

Coastal States Organization

An alliance of the Coastal States, Commonwealths, and Territories providing an effective voice in the formulation, development, and implementation of national marine and coastal resource programs and policies.

CHAIRMAN

Arthur J. Rocque, Jr.
Hartford, Connecticut
(203) 566-[illegible]

DIRECTOR

B. Gary Magnuson
Washington, D.C.
(202) 628-9636

October 14, 1982

Honorable Lowell P. Weicker, Jr.
Chairman, Subcommittee on Energy
   Conservation and Supply
Committee on Energy and Natural Resources
3106 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Weicker:

On behalf of the Governors' representatives of the thirty-four states and territories comprising the Coastal States Organization (CSO), I respectfully request that this communication be made part of the hearing record on the 5-year Outer Continental Shelf (OCS) leasing program.

The CSO would like to associate itself with questions raised by Senator Bradley and yourself during the September 8th hearings regarding Department of the Interior efforts to consult with the states to provide them with the information necessary to be a meaningful partner to guide hydrocarbon development off their coasts. While Secretary Watt responded, to my understanding, that the Department of the Interior has consulted adequately with the states and that only two states, California and Alaska, have serious concerns regarding the leasing program and have taken legal action. Contrary to Secretary Watt's remarks, since the hearings were held by your subcommittee, four additional coastal states, Oregon, Washington, Florida, and Massachusetts, have filed lawsuits with respect to the 5-year OCS leasing program. These states jointly contend that the 5-year OCS leasing program fails to provide adequate notice to affected states and localities, as called for under Section 18 of the OCS Lands Act, Amendments, and frustrates planning and mitigation efforts. I would suggest that your staff review the briefs filed by the six coastal states to examine in detail their concerns. In sum, the states have strong reservations that the large-scale lease offerings and the accelerated pace of leasing under the program, would hinder states to accurately assess and plan for the environmental, social, and economic effects of offshore development. State participation in OCS planning and decision making would be at best imbalanced and certainly inconsistent with the intent of Congress as setforth in the OCS Lands Act.

Between 1976 and 1980, the ability of the states to participate meaningfully in OCS decisions grew to a generally satisfactory level. Forums, schedules, and attitudes were established that provided states with adequate information and time to make informed comments and recommendations. In the recent past, however, the mechanisms for satisfactory participation have eroded.

Member states of the CSO have repeatedly endorsed the Department of the Interior's goal of efficiently offering high quality areas for OCS leasing to contribute to the national energy supply. The CSO is very concerned, however, that the 5-year OCS leasing program as constituted and if combined with anticipated termination of Administration funding support for state coastal management efforts, will increasingly limit state governments' ability to participate in OCS decisions. Decisions which have substantial implications to not only the affected coastal states, but to coastal and ocean resources of national significance.

I appreciate your consideration of our views and would welcome the opportunity to work with you and your staff to formulate an alternative leasing program that can be supported by the coastal states as a productive and environmentally responsible plan for the development of the OCS.

Sincerely,

R. Gary Magnuson

R. Gary Magnuson
Director